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# Southeast Asia Report

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29 JULY 1986

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AUSTRALIA

INCREASING FOOD IMPORTATION PROMPTS OFFICIAL CONCERN

Prime Minister's Appeal

North Richmond THE LAND in English 26 Jun 86 p 11

[Article by Vernon Graham]

[Text]

**T**he shelves and freezers of supermarkets would make an excellent starting place for the Buy Australian campaign planned by the Federal Government.

Supermarket aisles hold unnerving evidence of the inroads being made into the Australian food market by imports.

Canned, frozen and dried fruit and vegetables and tinned meats from around the world are now battling against home-grown products for both shelf space and consumer dollars.

Although imports still represent only a small slice of total supermarket sales, their substantial presence at the "cheap end" of the retail food market is causing serious heartburn to Australian fruit and vegetable industries.

Growers also are missing out in the fast food sector. Kentucky Fried Chicken goes overseas for most of the estimated nine million pieces of fresh corn on the cob used annually in the company's Australian outlets, because of dissatisfaction with the local product.

The Bureau of Statistics estimates food and beverage imports to Australia were more than \$1300 million in 1984-85 — including more than \$280 million of vegetable products (\$170 million in 1982-83).

Much of the imported food is coming from countries with either cheap labor (South Africa, Chile, Spain, Taiwan, China) or lucrative farm and export subsidies (some EC countries) — which raises the vexed question of the dumping of food on the Australian market.

Serious inadequacies in Australia's present safeguards against dumping were highlighted in the Industries Assistance Commission's April 29 report on vegetables and vegetable products.

The IAC was asked to investigate future assistance to the vegetable industry after complaints that imports of New Zealand peas were damaging local producers and processors.

Although conceding that Australia's horticul-

tural industries were extremely efficient and received nil or low levels of government aid, the IAC recommended a flat 10pc tariff on imports of all processed vegetable products (some products like potatoes, mushrooms, navy beans and tomatoes now receive much higher protection).

Industry officials fear the IAC report, if adopted, will trigger a flood of dumped product, although a special Government-appointed committee headed by Professor Fred Gruen is now reviewing our anti-dumping laws and significant changes to better protect Australian industries from unfair overseas competition are expected soon.

Estimates given by leading local processor, Edgell, to the IAC vegetable inquiry suggested that in 1984-85, imports grabbed a 17pc share of the Australian market for frozen peas, 19pc of frozen beans, 39pc of frozen sweet corn, 64pc of canned asparagus and 27pc of canned tomatoes.

A check by "The Land" last week of the biggest supermarkets in the Richmond-Windsor area, west of Sydney, revealed an astonishing range of imported foods.

Many were packaged in generic or house brands (No Frills, Farmland, Plain Wrap, No Name etc.) and were often much cheaper than equivalent Australian products.

A close look at cans and packets was often needed to discover the country of origin of some imported goods.

Supermarket shoppers in Richmond-Windsor last week could buy a wide range of cheap imported canned products including pears, strawberries and artichoke hearts from Spain; sliced peaches from Greece; pineapple pieces, asparagus, mushrooms and creamed corn from China; red cherries, peeled tomatoes and strawberries from Canada; paw paws, creamed corn, asparagus and mushrooms from Taiwan; grapefruit pieces, dried peas and dried fruits from South Africa; spinach from Holland; asparagus from

New Zealand and leg ham from Denmark and Ireland.

Freezer cabinets were also well stocked with frozen vegetables from overseas including beans, peas and corn from NZ, chopped spinach and corn from the United States and mixed vegetables from Taiwan.

In one supermarket one kilogram packs of frozen beans from New Zealand (\$1.32 each) were placed side-by-side with Australian beans (\$1.99). In the same freezer one kilogram packs of NZ peas were 46c cheaper than Australian product.

Deputy leader of the NSW National Party, Mr Ian Armstrong, says the present level of food imports into Australia is far too high and restrictions are needed to reduce the amount of basic foodstuffs being shipped here.

He says Australia is becoming a dumping ground for some overseas food products although he has no quibbles about importing unique or special foods (caviar, salmon etc).

"Australia should be able to provide its own basic foods like fresh, tinned and frozen vegetables and meats. I fail to see why Australia imported 3000 tonnes of NZ beef last year.

"Canned whole tomatoes from Canada and Italy are now being dumped in Australia," Mr Armstrong says.

"Unless something is done the problem is going to get worse."

NSW LGPA policy director, Dr Gary Bond, also believes some imported foods are being dumped in Australia.

He says the LGPA is not opposed to competition from imports — as long as the trade is fair.

It would be unfair to single out any of the big supermarket chains for sharp criticism over the import of food because they operate in a highly competitive environment.

Public relations manager for Coles New World, Mr Greg Every, says his company is proud of the amount of Australian-produced foods sold through its 360 supermarkets.

He says Coles New World sells imported food lines for a number of reasons, including the unavailability of some products in Australia, seasonal shortages (fresh navel oranges) or the

uniqueness of some products (Canadian salmon).

But the company sometimes has to match its competitors by importing a product which is available more cheaply overseas than in Australia.

Coles cannot totally source a product in Australia if a competitor is able to import the same product at a much cheaper price.

A certain percentage of shoppers are "price-conscious" and will buy the cheapest product no matter where it is grown or processed, he says.

The company also doesn't seek to conceal from shoppers the origin of imported products by marketing them through generic or house brands.

Mr Every says of the 975 lines sold under generic or house brands (the cheapest products) at Coles New World, 86.7pc are supplied by Australia.

Meanwhile, more efforts are being made to pull the fruit and vegetable industry into a more tightly co-ordinated group.

Executive director of Australian Horticultural Growers Council, Mr Brian Newman, says the biggest problem facing the industry is its fragmentation. New steps are being taken to overcome this problem, he says.

Mr Newman says the industry is under threat from cheaper or subsidised imports, although he doesn't see imports of fresh product as much of a danger.

Imports of fresh fruit and vegetables historically haven't been large and normally supplement shortfalls in local output.

Mr Newman says Australian and NZ growers have recently engaged in talks to discuss mutual problems, including tactics used by some processors to force down on-farm returns in both countries.

He says Australian farmers can grow high quality fruit and vegetables as cheaply as anyone in the world — the problems start when the product is taken from the farm for processing and marketing.

Countries like Chile, South Africa and Spain have much cheaper labor costs which is important in a labor-intensive industry like horticulture.

He believes the Prime Minister's Buy Australian campaign may encourage more consumers to ignore imported product on supermarket shelves.

## Editorial Offers Lessons

North Richmond THE LAND in English 26 Jun 86 p 8

[Editorial: "Australia as a Food Importer"]

[Text]

OUR feature story this week on the extent of foreign food importation into this country should arouse a sense of outrage in the breast of every patriotic Australian.

While we pride ourselves on the efficiency and diversity of our agricultural industries, and take for granted our self-sufficiency in staple foodstuffs, the reality is that Australia is an importer of food

products to the tune of roughly \$1000 million a year. And that figure doesn't include wines, spirits, tea and coffee.

To put things into perspective, that is about the value of our annual exports of beef — our third-biggest rural export commodity.

Few people would argue with Australia importing specialty food products from overseas. Imports of items like tinned salmon, caviar and even some gourmet cheeses can be defended on grounds of local non-availability.

But the fact is that many of Australia's food imports lie not in the high-priced lines of caviar and Gruyere; they are in the common lines of vegetable, fruit, meat and cereal products which, one would have thought, we were perfectly capable of producing for ourselves.

There are at least three lessons to be learned from Australia's Great Food Import Scandal.

The first is the well-worn one about Australia's declining competitiveness: many of the food products on sale in Australia are here purely because a retailer can sell a foreign line more cheaply than a locally-produced line.

In some cases (such as the EC), this foreign cost-competitiveness has to do with subsidisation at the product source, and as such justifies a tightening-up of our import protection laws.

But in many cases the difference lies merely in the high cost of local production — particularly from the farm gate onwards.

How many of Australia's food-producing competitors, one might ask, are doing battle with unions over 17.5pc holiday pay loadings and "productivity" based, employer-funded superannuation claims.

Again, how many of our competitors are now

looking down the barrel of a fringe benefits tax which will require the employer — not the recipient — to bear a new, income-unrelated impost or lose the long-standing goodwill of his employees.

The second lesson from our foreign food bill is that Australia needs to review its position on plant variety rights as a matter of urgency.

If we can believe what we are told by food retailers, much of the imported food (corn, for instance) is bought only because locally-grown varieties do not offer what the consumer requires.

Thirdly — and probably most importantly — the extent of our foodstuff imports highlights the need for a major public awareness campaign on the part of agricultural industries.

Ever since the Prime Minister's call two weeks ago for a "Buy Australian" campaign, many words have been written and spoken about the merits or otherwise of buying locally-made manufactured products.

But next to nothing has been said about the importance (from a balance of trade point of view) of buying Australian food. Presumably journalists take it for granted that the amount of foreign food sold in Australia is not worth worrying about.

Because of this misconception, it is important that farmers — and particularly growers of horticultural products — climb aboard the "Buy Australian" waggon.

Thanks to the publicity given to the farm sector during the past 12 months, the average Australian is now fairly sympathetic to the plight of our farmers. For this reason, a "Buy Australian" campaign with a food emphasis could be expected to be well received.

But it is up to producers in various farm industries to initiate such a campaign: no-one else will.

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CSO: 4200/1205

AUSTRALIA

WEEKLY ON U.S. PENETRATION OF WHEAT MARKET

North Richmond THE LAND in English 26 Jun 86 p 3

[Article by Peter Hemphill]

[Text]

THE United States has made a further penetration into Australian wheat markets with the sale of 50,000 tonnes of wheat to Sri Lanka under its Export Enhancement Program.

The sale follows recent encroachments by the US into a number of traditional Australian grain markets, including the Jordanian and North Yemeni wheat markets and the Saudi Arabian barley market.

News of the sale has prompted a fresh outburst from the Australian Wheat Board, whose dep-

uty manager, Mr Bob McCarthy, has labelled the US subsidy program as "predatory" in relation to non-subsidising countries like Australia.

Although the Wheat Board has yet to confirm the sale, it is believed that US grain trader, Louis Dreyfus, made the Sri Lankan deal at \$US86 a tonne, c&f, with the help of an EEP subsidy.

The Wheat Board tendered a price of about \$US108 a tonne, but the actual landed price was to depend on what arrangements could be made by the board's selling agent with freight and insurance.

A Wheat Board spokesman said freight and insurance costs to Sri Lanka were normally about \$US10 a tonne.

Sri Lanka has been a developing Australian market over the past 10 years, taking 208,000 tonnes in 1984-85. Imports from the US in that year amounted to about 150,000 tonnes.

Total Sri Lankan wheat imports amount to about 600,000 tonnes annually.

Mr McCarthy said the US subsidy scheme was the main reason for the \$US30 a tonne drop in wheat prices over the past few months.

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AUSTRALIA

ELDERS PLANS FOR BHP BID REVEALED

Sydney THE SYDNEY MORNING HERALD in English 27 Jun 86 p 19

[Article by Graham Reilly]

[Excerpt]

Confidential bank documents obtained by *The Sydney Morning Herald* reveal that Elders IXL prepared plans for a \$A5.5 billion bid for 60 per cent of all BHP shares not held by Elders.

The internal bank documents reveal credit lines and bond issues had been or were being arranged to enable Elders to offer \$9.25 a share (cum dividend) in opposition to Mr Robert Holmes à Court's \$9.20-a-share bid. Elders' bid would not have been subject to any minimum or maximum acceptance conditions.

The documents are based on shareholding levels before the close of Bell's recent takeover bid for BHP. Bell finished with an entitlement to 29.2 per cent of BHP shares.

It is not known if the plans, in that form, are still on an active footing.

Mr Ken Jarrett, an Elders executive director, said yesterday no comment could be made and even were the group to concede the documents existed it would make no comment.

If Elders achieved the maximum target under its bid proposal of 610 million BHP shares it would control 67.4 per cent of BHP for an overall cost of about \$A7.12 billion, although in the absence of acceptances from Bell

ship labelled Pommie and Popeye respectively.

Elders believed that at between 32 per cent and 38 per cent it would have been in a position to control effectively BHP and "achieve further improvements in Jumbo's already strong profitability/cash flows through the implementation of Armageddon's proven management and financial techniques," the document says.

Elders then expected that Bell, and Adelaide Steamship, Elders is shown to have been working on reaching 32 per cent to 38 per cent of BHP's capital from its 18.5 per cent base.

The authors of the document have titled the finance package "Armageddon Two", its predecessor being the financing package for Elders' initial BHP market raid, code-named Armageddon, with BHP called Jumbo, and Bell Resources and Adelaide Steam-

if it had not already sold 60 per cent of its holding under the Elders offer, would not have wished to retain its stake in BHP when it had no prospect of ever gaining control, and would then sell its holding to institutions seeking to reinvest in BHP after the question of control had been resolved.

"Summarising, Armageddon believes that offers proposed, which are more attractive than Pommie's existing offers, will receive acceptances from at least 50 per cent of Jumbo's remaining shareholders and thereby give Armageddon a controlling interest in Jumbo."

The changed circumstances since the close of the Bell bid doubtless have altered part of Elders' thinking, given the additional 11 per cent of capital tied up by Bell.

The bid planning showed finance coming from a \$A3 billion bank facility, convertible notes amounting to about \$A1.2 billion and additional debt of \$A1.3 billion.



AUSTRALIA

CRA BACKS AWAY FROM BHP STAKE

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 38

[Article by Christopher Webb]

[Text]

The idea of CRA taking a 15 per cent stake in BHP had not proceeded because it had not presented an overwhelming commercial advantage, CRA's chairman Sir Roderick Carnegie told the National Companies and Securities Commission inquiry into the BHP-Elders IXL affair yesterday.

"...we believed that we had to have a overwhelming commercial advantage in order to justify taking this step," he told the inquiry.

"At the board meeting the case for proceeding was not proven and we therefore decided it was better to terminate discussions, which we did on April 2," he said.

Sir Roderick said he and Mr John Ralph of CRA had visited the managing director of BHP, Mr Brian Loton and Sir James Balderstone.

Mr Doug Meagher, QC, assisting the NCSC, asked: "Yes, and you no doubt explained the reasons why you were not proceeding. Was there any reaction from them?"

Sir Roderick replied: "I think they were disappointed that we felt that we couldn't carry the discussions further because I think both BHP and ourselves — both before the month of March and afterwards, during and afterwards — believed that we ought to maintain good working arrangements just because as large compa-

nies in this country we ought not to do things which are silly."

"And I think that they felt this was an opportunity for a closer association, as I did, and therefore that it couldn't be carried further was a disappointment to both sides."

Sir Roderick said CRA had felt that unless it could justify the move as having overwhelming commercial advantages the company was better to stick to its more normal activities.

The NCSC chairman, Henry Bosch told Sir Roderick that "overwhelming" sounds unusual".

"Well the reason for that was that we were not in the business of making such a large passive investment in a company and while, in thinking about the oil business, we really — unless we are extraordinarily lucky — are probably not going to be able to get a position that is, that has, the sort of managerial involvement that we would have in most of our businesses. We were concerned about the reaction of the marketplace to us having such a large investment," Sir Roderick said.

Meanwhile, the NCSC came back again to the matter of Elders IXL's convertible bonds, which BHP had bought in large quantities.

Counsel for Elders, Mr J. Sher, has repeatedly asked Mr Bosch what it was about the bonds that so concerned the Commission.

Mr Bosch referred to the bonds yesterday. He said he had read through a statutory declaration made by Mr Richard Wiesener in Monaco and accompanying letters, statements and teleprinter messages.

"It leads me to say what the devil else was going on?" He said the buyers of the bonds were accepting extremely onerous conditions.

"My personal view is — it's odd," Mr Bosch pronounced.

Mr Sher said what had been done in relation to the bonds was done solely by Mr Wiesener, that the purchasers were not bound and that the requirement was that they would have regard to his recommendations.

AUSTRALIA

STATUS OF UNION-EMPLOYER SUPERANNUATION TALKS

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 7

[Article by Matthew Moore]

[Text]

The Arbitration Commission's decision to encourage unions and employers to reach their own agreements on employer-financed superannuation has given a big head-start to those organisations which have already begun negotiations.

The race to benefit from a 3 per cent payout is now on with the strong, well-organised unions theoretically able to win the money under the "special and isolated circumstances" clause in the decision.

The general rule is for no employer payments to be made until after January 1 and the reality is that most payments will be at least a year or more after that.

Some unions have had schemes up and running for years and will now negotiate additional employer contributions equal to 3 per cent of wages. Others have set up schemes since last year's ACTU-Government agreement on superannuation although these schemes will remain little more than shells until employers

contribute the 3 per cent.

Much of the unionised workforce has not done much at all and must now set up some new scheme, and then begin negotiations, or seek employers to contribute to one of the new industry schemes.

The whole superannuation area is now in a state of flux but a quick look at industries reveals:

**Transport:** Unions and employers have already reached agreement on paying 3 per cent into a union scheme and four big companies have agreed on a date but the union will have to negotiate with hundreds of others on timing. Many are likely to agree to a pre-January date.

**Building:** Two employer-financed, union-run schemes in place for two years — unions will now ask for an extra 3 per cent and are likely to get it before January 1.

**Paint:** Agreement reached for payment from July 1.

**Manufacturing:** Joint union-employer scheme which some employers have agreed to pay into. Long negotiations pre-

dicted with most payments likely after January 1.

**Coal:** No scheme yet but agreement reached on July 1 date.

**Oil:** Company-run funds in place but could be moves for industry fund for 3 per cent.

**Pulp and Paper:** Negotiations well under way on memorandum of understanding covering 3 per cent — no date fixed.

**Waterside:** Established scheme in place — top-up of 3 per cent but no agreement and January 1 or earlier likely.

**Clothing and Allied:** Model schemes only but negotiations expected. After January 1.

**Insurance:** Some negotiations on industry scheme — no payments before January 1.

**Banking:** Little progress to date.

**Breweries:** Employers prepared to negotiate — possibility for industry scheme from January 1.

**Liquor:** Union has draft scheme — no payments likely until after January 1.

**Pastoral:** No movement likely in years.

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CSO: 4200/1205

AUSTRALIA

CURRENT INDUSTRIAL HARMONY ANALYZED

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 13

[Article by Peter Hartcher]

[Text]

**T**HE late Clarry Gaudrey was the voice of employers in the heavy engineering trade. Towards the end of 1984, a union official told him that the employers had to get together with the union to solve the industry's problems.

Clarry didn't hesitate. He flung his coffee cup onto the carpet, swore loudly and left the room.

Industrial harmony has never been a feature of the industry.

Almost two years later, and with the considerable assistance of the Federal Government, such an agreement — a unique plan, backed by \$90 million of Federal money, for the rescue of the industry — is a reality.

But will it work? Will it stop the factory closures, the retrenchments?

Every year since 1979, an average of three heavy engineering factories have shut down. And the trend is continuing.

The biggest heavy engineer in Australia, Australian National Industries Ltd — which also happens to be one of Australia's biggest 50 companies — is planning to close another.

It hasn't announced it yet, but a foundry which once employed 160 and now has only half that number is to be closed. For ANI, the Government-sponsored, \$90 million heavy engineering plan will be of no use.

Indeed, ANI's managing director, Neil Jones, is disdainful of the whole idea; his reaction is similar to Clarry Gaudrey's. Jones says: "I think [the plan] is designed to protect weak and incompetent management. It's unlikely to change the metalworking unions.

"I doubt if new investment can

succeed in those conditions. Frankly, it's pouring taxpayers' money down the drain and we can ill afford to do that."

Jones is among the most hostile of the employers.

Another of the biggest heavy engineers in Australia, Wormald Machinery, has announced plans to close its Ballarat plant, which employs 360, unless it can secure union commitment to changes in work practices.

Otherwise, it says, the plant cannot justify its existence as an investment. But Wormald is less critical of the heavy engineering plan.

It has already tried, unsuccessfully, to negotiate new work practices. For those 360 workers, the heavy engineering plan is probably the only remaining hope of keeping their jobs.

Plant closures are the hard realities of the industry, which suffered a severe downturn with the collapse of the mining boom.

It is notable that when the Government ordered the Industries Assistance Commission to prepare a report on the industry, it didn't ask how the industry could be developed, rationalised, or improved.

Rather, it asked the commission "to report on how the Government can give effect to its intention to *maintain* a heavy engineering industry." (Emphasis added).

The rescue plan is an innovative one, which goes to the heart of the industry's problems: outmoded work practices and a lack of new investment.

The main union in the industry, the left-wing Amalgamated Metal Workers' Union, is making the correct noises. Its

Victorian secretary, John Halfpenny, says: "There is a general realisation that there are shared interests; unions want to increase job opportunities and retain their standards of living, employers want to keep their businesses and make them prosperous."

"The heavy engineering plan is an acknowledgement that, more than ever, we do have shared interests ... In the 1960s and 70s, we were primarily concerned with redistribution [of wealth]. Now it is a matter of distribution ..."

Halfpenny says his union is in the process of negotiating changes in work practices in three major factories. "We are revising work classifications to bring them into the latter part of the 20th century."

Some, probably all, employers are sceptical of Halfpenny's goodwill. Jones again: "Work practices are the greatest problem. The mentality of the unions in this industry won't change overnight. It's going to be a hard slog and a bloody one."

No Government edict can eliminate this sort of entrenched union-versus-management antagonism. The key to the heavy engineering plan is to encourage a co-operative management-and-worker approach to the running of factories.

In companies where there is genuine co-operation, the Government, for the next three years at least, will provide rewards. To stimulate investment, it will

offer to ease the cost of borrowing money by subsidising the rate of interest.

At current rates, the subsidy would cut the cost of borrowing from about 18 per cent to about 10 per cent. The Government has set aside \$30 million for this purpose, which should support about \$130 million of new investment.

Some employers, in the fine traditions of the industry, will not take any interest in this subsidy. Neil Jones of ANI says: "We are not keen on putting our investment proposals up to the unions, who stuffed it up in the first place."

Other employers, particularly smaller ones with less-ready access to cheap offshore funds, are more likely to find the subsidy attractive.

Another Government reward for co-operative companies is assistance in improving labour flexibility and productivity. A retraining program is to be designed so that workers can master new technology and adapt to new work classifications.

The Government is offering an off-the-job training subsidy of up to \$125 a day for a maximum of 35 days, and an on-the-job training subsidy of up to \$100 for up to 26 days.

It is, of course, impossible to predict exactly how the industry will react, but it is encouraging that some companies who did not know the plan was in preparation have since come out of the woodwork to find out how to take part.

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CS0: 4200/1205

AUSTRALIA

RURAL ROLE OF NATIONAL PARTY, FARMERS' FEDERATION ANALYZED

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 29

[Article by Peter Hartcher]

[Text]

THE National Party, unlike its coalition partner, has stable leadership. Ian Sinclair is only the fifth Federal leader in the party's 67-year history. A party employee accounts for this phenomenon thus: "Most of our blokes are just not up to it intellectually to mount a leadership challenge."

"They are not very critical of leadership; a lot of our people are electorate-type people who spend a lot of time out in the field. They're just not interested in the Liberal Party-type power plays."

Stability is not just a feature of the party's leadership, it's also a remarkable aspect of the party's electoral appeal. Since 1949, its share of the primary Lower House vote has oscillated in the narrow band of 7.9 to 11.2 per cent. It has repeatedly defied mournful, and sometimes gleeful, predictions of its imminent demise.

This stability need not, of course, extend automatically to party members. In 1980, Michael Cobb, now a Federal MP, drank a diluted glass of the insecticide 2,4,5-T to demonstrate its harmlessness.

Perhaps it is the stability of the party, or perhaps its intellectual reputation, which leads Brian Costar and Dennis Woodward, in their book *Country to National*, to remark that the party has been "all but ignored by political scientists and historians alike".

They continue: "[The] relative failure of the National Party to attract more scholarly analysis remains perplexing. The party has certainly been most influential in Federal politics, where it

has often been indispensable for the formation of conservative governments

"Indeed, it could be argued that the National Party has greatly influenced the structure of the Australian economy through its ability to have enshrined as government policy compulsory marketing boards for primary industry, a system of supports and subsidies for the rural sector, and tariff protection for manufacturing industry."

The party also has the distinction of being one of only a handful of farm-based parties across the world which has survived as a political force. Only in Australia and Scandinavia have farm-based political parties lived through the 20th century.

In historical terms, the party is now at one of its strongest points. Its share of the vote at the last Federal election confounded most forecasts by increasing from 9.2 to 10.6 per cent, and the proportion of seats it held rose from 13.6 to 14.2 per cent.

And, with the profitability of Australian farms at its second-lowest point since World War II and a Labor Government in power, it could be expected that the party — conceived for and propelled by its protection of the sectoral interests of farmers — will grow in strength.

An academic at the Australian National University's Public Policy Institute, Dr R. Gerritsen, who is preparing a study of the political consequences of the farm downturn, comments: "I think the Nationals will be the beneficiaries of the new rural militancy because farmers don't have any alternative."

Ian Sinclair is trying so hard to give an appearance of robustness that he has lately taken to challenging Bob Hawke to an election at short notice. Even the National Party's own Federal director, Paul Davey, is prepared to admit this much is "political spiritism".

But Sinclair also proclaims publicly that he wants to swell the Nationals' Federal parliamentary representation from 26 to 40 members and senators. This aim, he says, is more likely now than ever before.

Says Sinclair: "I don't intend to specify the seats, but there are at least six seats I would be very disappointed if we didn't win at the next election." He also forecast that the party would gain an extra three or four senators.

Not only the Labor Party but also the Liberals treat this boast with enormous scepticism, describing them as electoral near-impossibilities. There are, indeed, established electoral patterns which indicate that Sinclair is being more than optimistic; more on this later.

Perhaps, more importantly, there are some changing circumstances, some new and possibly destabilising elements, which threaten this waxing influence and prosperity.

The two main elements converge in the shape of the National Farmers' Federation. The NFF has emerged as a powerful and well-supported representative of farming interests, rivalling the National Party as the voice of farmers.

The Federal secretary of the Labor Party, Bob McMullan, has watched the NFF's development closely, and says: "The NFF has undermined the National Party's authenticity as the natural representative of farmers."

The other chief influence of the NFF has been its role as a leader in defining the new terms of Australian economic debate, a debate which has made obsolete the Nationals' traditional patterns of thinking.

The NFF's deputy director, Rick Farley, said: "The whole tenor of the debate has changed across the political spectrum, as well as in the bush. The debate has become much more sophisticated, and it has become cross-party. It's no longer Labor versus conservative or Liberal versus National, it's become the economic rationalists, versus the rest."

The NFF, formed only this decade and more vociferous in the last couple of years, is the Federal political arm of the farm lobby. It derives its income and its authority from its members — a broad network comprising the commodity councils and State-based farm groups.

It typifies the thrust of the new debate. It talks, not of the traditional farm demands of subsidies and special market intervention, but of free markets for labour and trade. In short, economic rationalism, tinged often with the political rhetoric of its president, Ian McLachlan.

It is the same rationalism, or "Dryness", which John Howard and Paul Keating have championed. The NFF's political rhetoric is equally apolitical, accusing Labor, Liberal and National parties of various sins at different times.

Farley says, and nobody will demur, that all three political parties are now nervous of the NFF. He counts that as a considerable success.

The NFF's real leverage lies in its threats about the next election. It has targeted 18 marginal rural or semi-rural seats — nine Labor, nine Coalition — where it intends to campaign. It promises to endorse one candidate in each electorate, not along party lines, but because of individual policy suitability. It is backed by a \$3 million "fighting fund" which it is trying to expand to \$10 million.

The Nationals, partly in response to the NFF threat, partly because of the general climate of economic debate, have radically overhauled their policy approach.

The "Wet", or interventionist, poli-

cies on which the party's economic achievements of the past 60 years were based — as listed by Costar and Woodward — have largely been ditched, although the existence of compulsory marketing boards is still defended. As witness to the party's new dry fervour, Sinclair says: "Our party's more rabidly anti-tariff than any in the Parliament."

The Nationals' nervousness about the NFF is borne out by National Party press releases which draw the closest possible parallels between the two groups.

It is exacerbated by the knowledge that the NFF's president, Ian McLachlan, is from South Australia, a State without a National Party. His father was president of the State Liberal Party and he sits alongside Liberal hero John Elliott — chairman of the pastoral and brewing conglomerate Elders IXL — as a director of the company.

The NFF is still not satisfied with the Nationals. Says Farley: "They are making a lot of the right noises, but we still haven't seen their final policy, and we haven't seen a legislative timetable to convince us they are capable of delivering."

Foretelling the electoral significance of the NFF is impossible — it will be their first involvement — but it seems highly likely that it will throw its weight behind conservative candidates rather than Labor. The key question is whether the conservative candidates it endorses will be Liberals or Nationals.

Even putting aside the NFF and the dawn of the age of economic rationalism, the National Party appears to have some very finite boundaries on its electoral future.

It has long been said that the party has a limited future because of the dwindling demographic significance of farmers and country-dwellers generally.

It is still widely believed that the party can only survive if it broadens its electoral base. Indeed, if the party had relied solely on the farm vote it would, by now, be extinct. There is not a single Federal electorate in which farmers form a majority.

The party has survived largely because of the symbiotic relationship between country towns and the farmers they serve.

But because of its acknowledged vulnerability to the country population base, the National Party has tried flirtations with the mining industry, and with city dwellers. Both flirtations set up tensions within the party, and both failed miserably. (The party's foray into Brisbane is a notable exception).

**S**O, what is its next strategy? According to Sinclair and Davey, the party's best prospects of winning new seats lie in the regional centres. Neither man will name the exact seats they have in mind.

The Liberals believe, however, that if there are many Labor seats set to fall to the Coalition, the Liberals will win the bulk. According to the Liberals, the maximum number of seats which the Nationals could hope to win is four, compared to the Sinclair expectation of at least six.

The Liberal argument has history on its side. If the Nationals won six new seats, they would control 18.2 per cent of members in the House of Representatives; their best performance so far since World War II was 18.1 per cent.

In addition, the party's stronghold of Queensland will soon face an election where, according to the vast majority of predictions, its strength will be eroded.

In short, the party may have some room to expand its influence in Federal politics, but its historical stability, combined with the possible hostility of the NFF, seems to limit it to only the tiniest of increases.

A professorial fellow in political science at the ANU, Colin A. Hughes, in a paper on the National Party's prospects of attracting more of the conservative vote, concluded: "Demography has generally been on the side of the Liberals. Up to the 1980s, urban areas grew at the expense of rural; but Queensland and NSW now show that National Party constituencies can increase enrolment with the best of them and urban growth need not be fatal ...

"Answers cannot be found in demographic variables, but in the personality and local popularity of candidates, the effectiveness of State-level leaders, and thus at a micro-level of political explanation that is rarely available in Australia."



AUSTRALIA

PAPER'S QUARTERLY ECONOMIC UPDATE 'GLOOMY' FOR GOVERNMENT

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 pp 40, 36

[Article by Peter Freeman: "Hard Times Make It Time for Hard Line"]

[Text]

At no time since the Hawke Government won power more than three years ago has it been faced with such a seemingly endless series of bad economic news as that of the past three months.

As the accompanying graphs dramatically demonstrate, consumer confidence has slumped and spending on cars, retail goods and new houses has been cut heavily.

This appears to be a direct result of skyrocketing consumer interest rates, public concern on the weakness of the Australian dollar and worries about job losses.

Equally disturbing is the continued failure of most companies to lift investment spending and surveys suggesting this cautious approach is likely to continue.

In line with this gloomy situation Australia's two leading economic indices, which act as important pointers to future economic activity, have fallen heavily in the past six months, with only one now showing signs of levelling out.

Virtually the only bright spot for the economy has been this week's refusal by the Arbitration Commission to make the proposed 3 per cent superannuation payment mandatory on companies.

By linking this decision firmly with the serious slide in Australia's terms of trade — the amount received for our exports compared with what we pay for imports — the commission has added its weight to the concern over the fundamental problem confronting the country.

With our exports worth less and imports costing more, the overall

wealth of Australia has suffered a setback. Something has had to give.

To date, the brunt of this blow has been taken by the Australian dollar. As the current account deficit, fuelled by skyrocketing interest payments on foreign debt, heads for a record \$14 billion in 1985-86, the dollar shows every sign of falling further.

Such a development would have serious inflationary consequences at a time when Australia's 9.2 per cent inflation rate already is about three times that of other Organisation for Economic Co-operation and Development countries.

The only way inflation can be brought down significantly while the dollar is under pressure is through wage restraint even greater than that of the past three to four years.

But many unions are understandably suspicious of the widespread call for wage restraint which preceded the latest Arbitration Commission superannuation decision. Instead they want evidence that the corporate sector will tighten its financial belt.

This situation is posing serious problems for the Hawke Government as it abandons its previously conciliatory approach to wage negotiations and pushes hard for restraint — including the possibility of abandoning holiday loadings and delaying future wage increases.

While the ACTU's Simon Crean and Bill Kelty may be sympathetic to this approach, and fully recognise the severe economic difficulties facing the economy, their ability to

deliver widespread union co-operation is limited.

Similar difficulties confront the Government in winning backbench and rank-and-file Labor Party support for tough Budget cuts. Such cuts are essential to underpin efforts to continue to relax monetary policy and so bring down interest rates.

If major cuts are not made — and the likelihood is that they won't be — the Federal Government will not only continue as a heavy borrower, but confidence in the foreign exchange market will be undermined further.

And it is business and consumer confidence which holds one of the most important keys to preventing the downturn from becoming a full-scale recession. The other key is a recovery in international mineral or agricultural prices.

This would have major positive impact on Australia's current deficit and reduce pressure on the dollar — two developments which would increase greatly the scope for maintaining economic growth without cutting heavily into the purchasing power (and so physical standard of living) of Australian workers.

The importance of these two developments is seen in a string of bad economic statistics and business surveys in the past three months.

The latest, and most dramatic, figures to be issued cover retail sales. As the graph highlights, these have slumped, with retailers reporting only a very marginal

recovery, fuelled by a series of store sales, in the past three or four weeks.

This drop in retail sales partly reflects a jump in the price of imports, due to a delayed response to last year's dollar slide, and so is part of the Federal Government's strategy of reining in imports in an effort to bring the current account deficit under control.

But the hope that domestic products will take advantage of their price competitiveness to win a bigger share of the market is being borne out only in a narrow range of cases. This is because the dismantling of the manufacturing sector in the past 10 years means there is often no local substitute for the imported product.

And even in those cases, such as whitegoods, where local manufacturers have benefited from the weaker dollar, demand has fallen in line with the drop in retail sales.

The car industry also is having problems, with the jump in April sales unlikely to lead to a new upward trend in coming months. Overall, a combination of higher prices and the fringe benefits tax is likely to result in a 25 to 30 per cent drop in sales in 1986.

The one bright aspect is that sales of local cars appear to be holding up better than imports, thanks to their exchange rate-induced price advantage. Accurate figures are not available, however.

As for housing, approvals for new houses and home units are continuing to fall sharply. If this trend continues it will have major

consequences for employment and, in the longer term, for sales of household goods.

While hope that the slide will level has been sparked by a jump in home loans from the savings banks in April, such optimism almost certainly is premature.

This is because the big increase, which saw the amount advanced by the savings banks go to just over \$550 million in April, compared with about \$350 million the previous month, largely reflected the lending delays while the banks battled to win deregulation of the 13.5 per cent home-loan ceiling.

As well, it is not yet clear how much of the new lending is going into established dwellings. While building products group, James Hardie Industries, has reported some recovery since the slowdown at the start of the year it is probably too early to assess housing construction in the next six months.

Possibly of even greater importance is the continued low level of business investment. According to the latest figures, outlay on new plant and equipment in the March quarter was lower than the already unimpressive level of spending for the same quarter last year.

The failure of many companies to embark on major investment programs in the past three years, despite strong growth in the economy, has been a major stumbling block for the Govern-

ment's economic strategy.

A recent Westpac/Confederation of Australian Industry survey suggested business confidence remained low and an investment pick-up was unlikely. A similar survey by the NSW Chamber of Manufactures also painted a discouraging picture.

Battered by high interest rates, uncertain about the risk of a wage breakout from the Accord, and wary of Labor's Left, many corporate executives continue to play it safe, blaming economic uncertainty for their investment caution.

As well, companies long accustomed to a combination of high levels of protection and a strong inflow of migrants have had difficulty coming to terms with lower tariffs and financial deregulation.

Possibly the most fundamental question raised by Australia's present economic problems is whether local manufacturers will ever be in a position to compete vigorously with a wide range of overseas competitors, many of whom either have large home markets, extremely cheap labour, or both.

If Australia's terms of trade do not recover quickly, there may be increasing pressure, both from within the Labor Party and from sectors of business, to reverse the long-running program of dismantling protection.

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AUSTRALIA

U.S. INVESTMENT FIRM'S ECONOMIC POLICY ENDORSEMENT LAUDED

Sydney THE SYDNEY MORNING HERALD in English 28 Jun 86 p 40

[Article by Ian Cassie]

[Text]

The US investment bank Salomon Brothers Inc has strongly endorsed our economic policy, confounding local fears that overseas investors may dump Australian dollar investments.

In a report issued after the close of US trading on Thursday (Friday morning AEST), Salomons advised US investors not to sell Australian bonds. Salomons' stated view is that this week's slide was based on rumour, rather than the appropriateness of economic policy.

In contrast to the current view in the local foreign exchange market, Salomons say that no further exchange rate depreciation is needed to improve competitiveness. The report viewed favourably the outcomes of the national wage case and the Premiers' Conference which, combined with expected monetary policy, are expected by Salomons to stabilise the Australian dollar at its current level.

The local foreign exchange market traded nervously in a narrow range on Friday, closing

**MONEY**

Overnight cash	16.50
90 day Bank Bills	14.90
10 year bonds	12.87

unchanged from Thursday at US67.1c. Since the US dollar weakened slightly on the day, the Australian dollar fell a little against other currencies. The overall result was a fall in the Reserve Bank trade-weighted index from 56.3 to 56.2.

Foreign exchange dealers and their corporate customers remain short of Australian dollars, however. And, although overseas markets seldom trade Australian dollars on Fridays, the report should lend support to the currency.

Since the forward rate on the Australian dollar (the rate at which Australian dollars can be bought for delivery at future dates) is lower than the current rate, it costs dealers money to maintain short positions. So the longer the dollar remains at its current level, the more likely it becomes that dealers and their corporate customers will buy back

dollars, pushing the exchange rate back up.

With little overseas activity on Thursday night, bond markets also marked time. The yield on November 1996 stock drifted up to close at 12.87 per cent, from 12.8 per cent on Thursday, in quiet trading.

Fears of tight conditions, ahead of June 30, again pushed up cash and bank bill rates. The overnight cash rate on the unofficial market rose from 15.5 per cent on Thursday to average around 16.5 per cent yesterday, despite apparent Reserve Bank efforts to ease cash.

The banking system was in surplus yesterday by \$150 million and, although the Reserve Bank sold Treasury notes, dealers say it did not sell enough to soak up the excess.

The yield on 90-day bank bills rose sharply in the morning, peaking at 15.1 per cent, reflecting the cost of cash, as well as rollovers of stock. In the afternoon, falling cash rates were reflected in falling yields, with 90-day bills closing at 14.9 per cent, from 14.85 per cent on Thursday.

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CSO: 4200/1205

INDONESIA

SUHARTO MEETS WITH SGS EXECUTIVES

Jakarta ANTARA NEWS BULLETIN in English 3 Jun 86 p A5

[Text]

Jakarta, June 3 (ANTARA).-- President Soeharto Tuesday stressed that the Indonesian government would continue to collaborate with the Societe Generale de Surveillance (SGS) in import goods examination, but the surveyor firm should step up its supervision in certain countries of origin of the imported goods.

This was pointed out by the Head of State to three SGS executives, respectively Marc Andre Chargueraud (chairman of SGS, Geneva), G.J. Knebuehler (executive president) and Wareham (SGS representative in Jakarta).

For more than half an hour the President and the SGS executives discussed the one-year implementation of Inpres (Presidential Instruction) No. 4/1985, including the efforts to safeguard and to prevent abuse of facilities which go with the Presidential instruction.

The SGS executives came to Bina Graha in connection with the Indonesian government's determination to act firmly against smugglers who abused the facilities provided in Presidential Instruction (Inpres) No. 4 of 1985. The SGS has a surveyor's role in the implementation of the instruction which was meant to smoothen the flow of imports.

Marc Andre Chargueraud told newsmen afterward that in the first year of the implementation of the Inpres, the flow of goods at the ports had become more smooth.

In addition, the implementation of the Inpres had also led to increase in government revenue from import duty.

He disclosed that up to now SGS has handled about 110,000 verification reports which were required before the entry of imported goods to Indonesia.

Replying to questions, Chargueraud admitted that there had been violations against the stipulations of Inpres No.4 in the implementation of imports into Indonesia. But he added that the volume is quite small compared with the total volume of imports (as well documents) handled.

He said SGS would cooperate with the Indonesian government to suppress the violations.

He said he appreciated highly the Indonesian government's determination to eradicate smuggling through violations of the provisions of Inpres No.4.

He promised that the company would also heighten control over its own personnel in this connection.

On the basis of a three-year contract, the Indonesian government uses the SGS to examine goods imported from other countries to Indonesia.

The SGS executives met with the President in the company of Trade Minister Rachmat Saleh.

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CSO: 4200/1218

INDONESIA

GOVERNOR SAYS TRANSMIGRATION IMPROVES WELFARE OF IRIANESE

Jakarta ANTARA NEWS BULLETIN in English 4 Jun 86 p A5

[Text] Jayapura, June 4 (ANTARA)--Irian Jaya Governor Izaac Hindom has stated that the resettlement of transmigrants in Irian Jaya has improved the welfare of native inhabitants of the province.

The governor made the remark when he received Secretary General of the Transmigration Department C.I. Santoso at his office here Monday night.

Transmigrants who occupy resettlement centres in Irian Jaya can accustom themselves to the condition of areas around their new villages, according to Hindom.

"They have been able to fulfil themselves basic necessities they need after occupying resettlement centres for six months," the governor said further.

Various kinds of plants grown by transmigrants in Irian Jaya can grow well because the transmigration centres are located in fertile land, he pointed out.

He expressed the hope that transmigrants resettled in Irian Jaya, particularly in Jayapura and Manokwari regencies, would grow not only food plants but also plantation commodities such as oil palm.

In this connection, he said one of state-run estate companies, PTP-II, had developed oil palm estates in Jayapura and Manokwari regencies.

The expansion of oil palm estates has a positive impact on the livelihood of transmigrants and native inhabitants as the handling of plantations created jobs for people in the surrounding areas, he explained.

Apart from that, transmigrants or native inhabitants who grow oil palm on their land will be able to enjoy proper income by selling their oil palm fruits and kernel to the estate company, he added.

Secretary General of the Transmigration Department, C.I. Santoso, who was previously commanded of the Cenderawasih Military Territorial Command in the Irian Jaya province, was then making a three-day visit to the province.

During the three-day visit he inspected transmigration centres in Koya Barat and Koya Timur. Transmigrants in those two resettlement centres are expected to enjoy big harvest in the coming harvest season this year.

INDONESIA

# SUHARTO CALLS FOR DIVERSIFICATION OF PEOPLE'S DIET

Jakarta BUSINESS NEWS in English 6 Jun 86 p 9

[Text]

The diversification of people's diet must be intensified to secure the maintenance of self sufficiency in rice till the year 2000, President Soeharto stated at a cabinet session on economic, financial and industrial affairs at Bina Graha here Wednesday.

Minister of Information Harmoko told reporters after the cabinet session that the meeting discussed the demand for rice till the year 2000. The President gave directives to the meeting that the realization of intensification and extensification programs on paddy planting should be stepped up to cope with the rising demand for this main food-stuff in the country.

The Head of Government called for the prevention of food shortage because the target of national development included self sufficiency in food and clothing and the procurement of housing facilities.

With rice production of about 26.5 million tons in 1985 Indonesia has been self sufficient in rice, Harmoko pointed out. Concerning the projection of rice production, he disclosed the target was 29.8 million tons in 1990, 33.6 million tons in 1995 and 37.8 million tons in the year 2000.

Despite the growth of rice production, the diversification of people's diet will be increasingly important in the coming years because the domestic consumption of rice increases by an average 2.4% a year. Therefore, it is necessary to continue intensification and extensification programs.

For areas which consume sago or corn as the main foodstuff, the supply of protein should be given greater attention, the Head of State revealed.

The estimate that the demand for rice will grow by an average of 2.4% a year till the year 2000 has been made based on the assumption that the population growth rate will reach 2% a year up to the year 2000, Harmoko explained, adding that people's income was expected to grow by an average of 4% a year.

The President expressed confidence at the meeting that the growth of the rice consumption could be limited providing the diversification of people's diet could be intensified in the coming years.

If the per capita consumption of rice can be maintained at the present level of about 135 kg/year, the increase of rice consumption can be limited at 2% a year. This means that the rise of rice consumption is as high as the population growth rate.

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CSO: 4200/1218

INDONESIA

MORE BUSINESS SECTORS OPEN FOR INVESTMENT IN 1986

Jakarta BUSINESS NEWS in English 6 Jun 86 p 6

[Text]

Chairman of the Investment Coordinating Board (BKPM) Ginanjar Kartasasmita has stated that 1,354 business fields open to new investments are found in the 1986 Priority Rating List (DSP) compared with 1,284 fields in the 1985 DSP.

Based on the 1986 DSP only 75 business fields are closed to new investments, whereas the 1985 DSP contained 179 fields closed to new investments.

The 1,354 business fields open to new investments in the 1986 DSP comprise 926 fields for foreign/joint venture (PMA) investments, 191 fields for domestic (PMDN) investments and 237 fields for non-PMA/non-PMDN investments.

PMDN investments can also be made in business fields open to PMA investments and non-PMA/non-PMDN investments are also allowed in fields open to PMDN and PMA investments. Thus in fact 1,117 fields are open to PMDN investments and 1,354 fields open to non-PMA/non-PMDN investments.

Based on the 1985 DSP, only 475 fields were open to new PMA investments & 1,284 fields (including fields open to PMA and PMDN investments) were open to non-PMA/non-PMDN investments.

A lot of fields used to be closed to new investments are open to investments in the 1986 DSP. Requirements for new investments are loosened in the 1986 DSP, especially requirements which have so far hampered the development of the investment sector.

The May 6 Policy Package just issued by the government mentions among other things that all business fields based on the DSP closed to PMA investments, PMDN investments or non-PMA/PMDN investments can be opened to all forms of investments providing the investments are oriented to export, which means that at least 85% of the products are provided for export.

Investors can enjoy fiscal facilities in the form of, among others, the reduction of or the exemption from import duty the imports of machinery/equipment and spareparts required for production. The import duty exemption/reduction is granted for not more than 2 years.

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CSO: 4200/1218



29 July 1986

## INDONESIA

## BRIEFS

COUNTER-PURCHASE TRADE EXPANSION--Jakarta, May 29 (ANTARA)--Indonesia will continue to expand its counter-purchase trade as one of the efforts to weather its economic difficulties lately triggered by falling oil prices, spokesman for the trade ministry Hamonangan Panu said Thursday. He said the number of counter-purchase contracts with various countries keeps on increasing. Since Government Regulation No 1/1982 was launched, the counter-purchase contracts which have been signed, has until end-April 1986 reached a total value of US\$1,525 million, involving some 23 countries. Those countries are Japan, the United States, West Germany, Singapore, the Netherlands, Canada, South Korea, Britain, Rumania, France, Hongkong, East Germany, Sweden, Belgium, Australia, Malaysia, Austria, Panama, Mexico, Yugoslavia, Italy, Switzerland and Poland. Many countries at first opposed to the enforcement of this government's policy, such as the United States and Japan, but after they were given explanation by Indonesian officials, finally they could understand. "Even Japan is now the second biggest in counter-purchase trade with Indonesia, while the U.S. ranks fourth," he said. Among the 23 countries that do counter-purchase trade with Indonesia, West Germany ranked first with a value of US\$382.94 million, followed by Japan US\$295.29 million, Canada, 213.61 million, the U.S. US\$114.38 million and Singapore US\$88.88 million. [Text] [Jakarta ANTARA NEWS BULLETIN in English 29 May 86 p A1] /9317

PERTAMINA MEETS DOMESTIC OIL NEEDS--Medan, May 30 (ANTARA)--Pertamina has been able to meet the domestic demand of oil so that there is no need to import it. The quality of Pertamina oil is as high as the imported oil, some are even better. Abdul Rahman Ramly, president director of Pertamina state oil company stated this here Thursday in Pangkalan Brandan to newsmen following the installation of the North Sumatera Pertamina chief. Indonesia, Ramly said, has stopped the import of oil for domestic demand and so far there is no complaint from the consumers concerning the quality for the stock. However, he conceded Pertamina does not produce special oil for military purpose so that such oil still had to be imported. Speaking about the imported oil which can still be found in the market, the president director of Pertamina said they must have entered the country illegally. Since the government issued a regulation on the provision of oil which is single handedly managed by Pertamina in 1983, the import of oil has been completely stopped. Some people are still too fond of imported oil, and through various illegal ways oil is still purchased from abroad.

Ramly also conceded he has received reports about the mixing of Pertamina's Premium fuel with other substances that lowers its quality. Fortunately, such a case does not take place in all regions, he said. [Text] [Jakarta ANTARA NEWS BULLETIN in English 31 May 86 p A1] /9317

INCREASED AUSTRALIAN MINING INVESTMENT--Jakarta, June 5 (ANTARA)--Australia is preparing to increase its investments in the mining sector in Indonesia, mainly coal gold and other minerals. The Australian Trade Commissioner's Office in Jakarta in its explanations Thursday said that to show their interest, 20 Australian companies exhibited their equipment and services in the recent mining exhibition held at the Jakarta Fair Grounds from May 6 through 10, 1986. The exhibitors reported at the end of the exhibition to have sales under negotiation worth more than US\$11 million. Australia which is the largest coal exporter in the world, is at present operating in Indonesia to carry out exploration activities, among others in Kalimantan and Sumatera. Australia's biggest company, B.H.P., has two coal mining contracts of work in Kalimantan through its subsidiaries, PT Arutmin and PT Utah. PT Arutmin has mined 60,000 tons of trial shipment of coal and plans to develop a large mine when markets for the coal can be assured. Another Australian company, C.R.A., is a partner in PT Katim Prima which has discovered a large deposit of high grade coal in East Kalimantan. The company is conducting preliminary studies for export possibilities. Allied Queensland Coal and Transfield Pty Ltd, both from Australia, in collaboration with PT Mitra Abad Sakti are developing a coal deposit at Parambanan in West Sumatera which should produce over 500,000 tons per year. They are developing this mine under an agreement with the PN Tambang Batubaba state coal company. A number of other Australian companies are active in gold exploration and mining and nine contracts of work have been signed with the Indonesian government in February 1985. [Text] [Jakarta ANTARA NEWS BULLETIN in English 5 Jun 86 p A4] /9317

BANK CREDIT FOR FOREIGN COMPANIES--Jakarta, June 5 (ANTARA)--To raise interest in capital investment and to encourage the purchase of company shares by private Indonesian businessmen, Bank Indonesia on June 4 announced a decree allowing foreign capital investment companies (MPA) to get credits from Indonesian government banks. On the basis of the decree, government banks including BAPINDO (Indonesian Development Bank) may now give working capital credits on a short term of PMA companies in Indonesia which operate under Law No 1 of 1967 on foreign capital investments. The number of such companies which may now ask for credits from Indonesian government banks will be decided on by BKPM (Capital Investment Coordinating Board). To qualify a foreign investment company for obtaining the short-term working capital credit, should have sold 75 percent of its equity shares to the state and/or to private Indonesian nationals, or 15 percent of its equity share had been sold to the public through the capital market. In other cases, at least 51 percent of its equity shares are now owned by the state and/or private Indonesian nationals or it has already offered at least 20 percent of its shares to the public through the capital market. Further details on the decree are contained in Circular of Bank Indonesia (the central bank) No 19 dated June 4. [Text] [Jakarta ANTARA NEWS BULLETIN in English 5 Jun 86 p A5] /9317

CSO: 4200/1218

PHILIPPINES

MANILA TIMES EXAMINES PHILIPPINE-AMERICAN FRIENDSHIP DAY

HK080941 Manila THE MANILA TIMES in English 4 Jul 86 p 4

[Editorial: "Fourth of July"]

[Text] Since the American occupation of the Philippines at the turn of the century, the Fourth of July has a traditional non-working holiday. From 1899 to 1941, it was celebrated as American Independence Day, then in 1946, it became Philippine Independence day. In 1961, President Diosdado Macapagal changed the date of Philippine Independence from 4 July to 12 June, but continued the tradition of celebrating the Fourth of July as a non-working holiday by making it Philippine-American Friendship Day.

So the Fourth of July in the Philippines has undergone three transitions: As American Independence Day, and now, Philippine-American Friendship Day.

We see nothing wrong in celebrating a Philippine-American Friendship Day and July Fourth is a fitting day for occasion. Our only observation is that it should not be a non-working holiday. Philippine-American Day should be a day celebrated the way Dia de la Hispanidad [Hispanic Day] is commemorated.

American Independence Day influenced the country's fight for independence against Spain. American independence antedated the French Revolution, and it was the precedent that inspired the liberation of Latin America, which in turn inspired the Philippine revolution against Spain.

Malacanang should set up a committee to restudy all legal Philippine holidays. Araw ng Kagitingan [Heroes Day] should be celebrated during the birthday of Jose Abad Santos. Philippine-American Friendship Day should be preserved, but modified to a working holiday.

In the United States, this year's Fourth of July celebration will be highlighted by the unveiling of the refurbished Statue of Liberty. That celebration could be interpreted as a sort of French-American Friendship Day.

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CSO: 4200/1203

PHILIPPINES

PHILIPPINE-AMERICAN FRIENDSHIP DAY 'ABERRATION'

HK080938 Manila THE MANILA EVENING POST in English 4 Jul 86 p 4

[Editorial: "Philippine-American Friendship"]

[Text] For a number of years after the war, Filipinos celebrated their day of independence on 4 July. Postwar leaders believed that by observing Philippine Independence Day on the same day as the United States did, we would eventually become Little America. We were, after all, their glorious "showcase of American democracy" in this part of the globe.

But as a showcase, we had to accept "parity" but no reciprocity. American military facilities flooded our land and up to the present are still around to remind us that this country may again become a battlefield, but this time in a devastating nuclear war not of our own making. American goods and American products are ready to flood our markets, all in the name of liberalization.

As a faithful ally of the United States, to paraphrase the late Don Claro M. Recto, we followed her from the deserts of Israel to the jungles of Vietnam; from the cold mountains of Korea to the waters of Formosa Straits. And in the United Nations, we were always the junior partner.

But in return, what did we get from the United States? A meager \$900 million blood money for two nuclear-packed military facilities; and, they won't even call it rent, which it is. We also get visits from a Solarz or a Shultz together with his dogs. Sometimes we also hear patronizing sermons from their pro-consul Stephen Bosworth, not to mention the political officers who frequent universities and government research centers.

And, of course, the United States denies loudly that they interfere in Philippine domestic political affairs. After all, they never "interfered" in Iran, Vietnam, Chile, and now Nicaragua and El Salvador. Why can't Filipinos be convinced that Americans are not interventionists? That they are only interested in our welfare?

After all has been said and done, why do we honor Philippine-American Friendship Day? What significance does it have for Filipinos? If there is anything to be expunged from Philippine history books, it is this historical aberration.

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CSO: 4200/1203

29 July 1986

PHILIPPINES

## 'SPECIALNESS' OF RELATIONS WITH U.S. QUESTIONED

HK080918 Manila PHILIPPINE DAILY INQUIRER in English 4 Jul 86 p 4

["Opinion" column by Danilo-Luis M. Mariano: "Shattering the Myth"]

[Text] When Malacanang announced the other day that the country will still commemorate Philippine-American Friendship Day, it added--quickly--that the holiday will be observed only "by virtue of existing laws." You could immediately sense that the Aquino administration was not too keen about a public festival which only dramatizes the degrading obsequiousness of certain Filipinos to the Yankee super-power. You could also read between the lines that if only the law were not in force, it would have had "Phil-Am Day" struck off the official calendar. As if to confirm the impression, the Guest House yesterday announced that no official activity has been lined up for the president. Like many of us, she'll be taking the day off for some much-needed rest. Unlike the deposed president, Ms Aquino has obviously no plan to perpetuate the myth of "special relations" between the Philippines and the United States. She's the first post-war leader of this country who has finally managed to appreciate RP [Republic of the Philippines]-U.S. ties from a more realistic, down-to-earth angle. And reasons for such realism are compelling.

For one, we're special to the United States only for as long as we permit the presence of American military facilities on Philippine soil. Without those bases, we would quickly drop in Washington's order of priorities--to, the level say, of Gabon or Nepal.

For another, we're the only country in the world that insists on celebrating its "friendship" with another and making a public holiday out of it. Not even the so-called satellites behind the so-called Iron Curtain display such slavishness for the Soviet Union--not publicly, anyway. No self-respecting nation, if it is to be truly worthy of its place in the community of independent nations, has been willing to stoop so low--except the Republic of the Philippines.

From the Americans we have nothing to be thankful for. For every favor or grant of aid that Washington has somehow decided to toss our way, the Americans took with them an equal, if not greater, measure of political, economic, diplomatic and military advantage from us.

To be sure, maintaining cordial relations with the United States--if they are handled with dignity and a substantial dose of pragmatism--can work to the advantage of the Philippines. Lest we be misunderstood, we have nothing against the Americans as a people, they are without doubt a great nation. But the time has come for us to shed off all this nonsense about the "specialness" of RP-U.S. ties. And only by asserting our sovereignty, our independence--and not as one of a dozen American client-states--can we do that. The problem really is ours.

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CSO: 4200/1203

PHILIPPINES

EDITORIAL SEES TRADEOFFS IN AQUINO'S U.S. VISIT

HK080753 Manila THE MANILA EVENING POST in English 5 Jul 86 p 4

["Editorial: "The Forthcoming Visit"]

[Text] Now it can be told. President Aquino is visiting the United States on 17 September on invitation of the American President. While there, she will address the United States Congress. To make it more significant, the trip was announced on 4 July, the American Independence Day and the increasingly meaningless Philippine-American Friendship Day.

It will of course be a proud occasion for the American Government. Here is a Philippine president once more, Exhibit A of the American's "showpiece of democracy." The Philippines will be displayed in contrast to a Cuba or a Nicaragua.

But one only recalls 20 years ago when President Marcos was newly elected and set out on a first trip to the United States. He also delivered a speech, from memory, to the American Congress. He was wined and dined in Washington, D.C. He was, in the words of the late President Johnson, "my boy."

This was at the height of America's war in Vietnam and America badly needed allies then. The Philippines was ever ready to provide the supporting role. At a SEATO summit in Manila, Lyndon Johnson tried to orchestrate the regional politics of the Vietnam war. Once more, President Marcos was acclaimed by the Americans for being the ever faithful ally of the United States. In the end, the Americans lost in Vietnam and they had to leave, in ignominy, from the rooftop of their Saigon embassy.

Now it is President Aquino's turn. The magnanimous Americans, with their aid and their grants, are eager to welcome their latest "pet."

What instructions will they give? That the military facilities will remain in the Philippines beyond year 2000? That import liberalization be accepted meekly by Filipino manufacturers? That Mrs Aquino should be ever grateful to them? What are the tradeoffs?

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CSO: 4200/1203

PHILIPPINES

U.S. MILITARY BASES TERMED MAJOR ISSUE

HK080723 Manila THE MANILA CHRONICLE in English 5 Jul 86 p 2

[Text] Angeles City--The U.S. military complex here, far-off hub for a far-flung Pentagon network, is becoming a battleground in the political wars of the new Philippines.

Both the administration of U.S. President Ronald Reagan and President Corazon Aquino have sought to play down questions about the future of sprawling Clark Air Base in Angeles City and the big, versatile U.S. Navy base at Subic Bay, 30 miles southwest of here.

But recent interviews with politicians, diplomats, military men and others in Manila and elsewhere indicate the issue of whether the Philippines should extend the life of the bases beyond 1991 could ignite quickly into a major dispute.

Promises J.V. Bautista, a leading anti-bases leftist: "It is going to be one of the major flashpoints in the days to come.

Filipinos are quickly taking sides--including delegates writing a new constitution, columnists in Manila's lively newspapers and communist guerrillas in the embattled countryside, who have made dismantling U.S. facilities a major demand in planned peace talks with the Aquino government.

But since taking over from the deposed Ferdinand Marcos last February, Mrs Aquino herself has sounded neutral on the issue and many here believe in the end it will be a straight business deal.

The bases will be extended in exchange for a huge increase in U.S. payments to the Philippines.

"Shutting down the bases would have a significant economic impact on the Philippines," noted Clark Air Base's policy officer, Colonel James Cozza. "In an economically troubled nation the president would have to keep that in mind."

Although some critics disagree, Pentagon strategists unanimously describe Clark and Subic--the biggest American military complex outside the United States--as vital to U.S. security interests.



The bases' runways and docks are just a few air hours or sea days from Japan and Korea, U.S. Pacific possessions, Australia and the "chokepoint" straits through which tankers carry Persian Gulf oil to East Asia.

Subic Naval Base is a key waystation for the 40 or more U.S. Navy vessels normally deployed in the Western Pacific.

Fifty miles northwest of Manila, the great deep-water harbor at Subic, rimmed by jungled hills, usually shelters a dozen or so Seventh Fleet warships taking on provisions or undergoing maintenance.

Subic has large beach areas for marine amphibious training, shoals for naval gunnery practice and a naval air station that averages 400 takeoffs and landings a day, including the flights of navy P-3 Orion reconnaissance planes that track submarine and other Soviet activity in the region.

The 1991 deadline gives the Manila Government "a real bargaining clout with the United States," said Blas Ople, former labor minister.

Mrs Aquino herself says she is "keeping my options open." But she is wielding a level of her own by favoring a national referendum on whatever agreement emerges from U.S.-Philippine negotiations.

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PHILIPPINES

GOVERNMENT, SABAH TO SIGN JOINT VENTURE AGREEMENT

HK090411 Manila MANILA BULLETIN in English 8 Jul 86 p 12

[By Mike Alunan]

[Text] The Philippine Government and the state of Sabah will sign an agreement today for a package of promising trade and other joint-venture projects.

Philip Juico, assistant minister for agriculture and food, told newsmen yesterday that the "Memorandum of Understanding" will be signed by a representative from the government and Jeffrey Kitingan, chairman of the Sabah Foundation.

Kitingan, who is considered to be a powerful tycoon in Sabah, is a brother of Sabah's Chief Minister Joseph Kitingan.

Juico said that Kitingan, who attended the recently-concluded 20th council meeting of the Southeast Asian Lumber Producers Association (SEALPA) earlier agreed that the Philippines will not have to infuse any equity investments.

Kitingan has already met recently with President Corazon Aquino and Agriculture and Food Minister Ramon V. Mitra Jr.

"Our sole investment will be on manpower and technical expertise," Juico said adding that Sabah will shoulder the necessary equipment and other expenses needed.

One of the joint-venture projects is deep-sea fishing in Sabah waters, wherein Philippine private sector trawlers will be used in fishing activity.

The barter trade will also be legalized with Brookspoint in Palawan and Labuan in Sabah, Malaysia to be designated as trading ports.

Juico added that another significant joint-venture project is a leather and shoe-making industry. It was learned from the Sabah businessman that the hides of cows, carabaos, and other animals are just thrown away in Sabah after they are slaughtered.

Also of interest is a rattan industry project. The country could import rattan massively owing to Sabah's abundant resources, thus stabilizing the supply of rattan poles needed by the local furniture industry.

In return, the Philippines team offered to help Sabah develop its own agro-forestry projects as it now needs to replenish its rapidly vanishing stocks.

Juico also cited a joint-project in the poultry and livestock industry.

He stressed that all these joint-ventures will also help generate employment for Filipinos, particularly the skilled workers, considering that Sabah only has a population of only 1.3 million about 250,000 of which are Filipino refugees who migrated at the height of the Moro National Liberation Front (MNLF) rebellion a decade ago.

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CSO: 4200/1203

PHILIPPINES

ENRILE RESIGNS COCONUT BANK CHAIRMANSHIP

HK020303 Quezon City BUSINESS DAY in English 1 Jul 86 p 14

[By Noel D. de Luna]

[Text] After leading the military rebellion that led to the overthrow of the Marcos regime, Defense Minister Juan Ponce Enrile yesterday took his second biggest political gamble when he resigned from the chairmanship of the United Coconut Planters Bank [UCPB].

He declined three nominations, including one by the Presidential Commission on Good Government [PCGG] which sequestered 94.6 percent of the bank's total outstanding capital stock.

Relaxed all throughout as he presided over the UCPB general meeting, he was viewed as having displayed political brilliance, having allied himself with coconut farmers who felt, rightly or wrongly, that the government had cheated them of their rights.

The PCGG, which installed an entirely new 15-man UCPB board, may have planted a seed of destruction. Coconut farmers who came from as far as Tuguegarao and Zamboanga walked out in disgust, shouting "rebolusyon" [revolution] all the way.

The venue of the stockholders' meeting, the Makati Sports Club was surrounded by anti-riot troops.

The hatred for the PCGG was displayed when commissioner Ramon Diaz was heckled everytime he called in the PCGG nominees.

As soon as Enrile announced his irrevocable decision to leave the bank, the PCGG nominated Renato Onico to the board.

UCPB President Danilo Ursua also declined nomination to the board as part of a slate recommended by a representative from Davao. He also tendered his resignation as bank president.

UCPB's treasurer Francis Gaston and Controller Amado Mamuric were reportedly the first feelers for a resignation from the management team headed by Ursua after the stormy meeting was adjourned.

Irate farmers, as they left the jam-packed sports club, were calling for withdrawal of deposits from UCPB first thing today.

Asked whether the bank could withstand a nationwide bank run, a UCPB lawyer replied with smile, "Don't ask me, because I'm resigning as well. The bank's still sound but I don't know what will happen tomorrow."

Deposits in UCPB are estimated at P9.4 billion. Total assets are P13.92 billion.

BUSINESS DAY sources said other bank officials are being pressured by the PCGG to stay on the management team to avert a financial crisis. However, they said that since it would be best to let the government handle the bank as it sees fit, then the government could take care of the bank even without the core of the management team.

Political analysts said Enrile knew very well that if he resigned and took the key officers out with him, UCPB could be endangered.

In his resignation speech, Enrile was emphatic in saying, "It's about time we let the government, the PCGG, or anybody for that matter to take over the bank, to look into its records so that their families (his and those of others who resigned) may be spared from any accusation" that they robbed the bank.

"Is is best that I, who has been the object of attention, must sever any connection with the bank; that there are others who are better qualified. I'm sure that who will come are equally motivated to protect the interests of the farmers," he said.

The PCGG tried to explain to the farmers that it sought to protect the interests of the people, but some of the farmer-stockholders of the bank believed that the PCGG denied then due process.

They argued that, based on the Freedom Constitution, the PCGG should notify the farmers, and not the bank, that it was sequestering their shareholdings.

Rene Espina, Unido secretary general and critic of the Aquino government, said "there is no legal basis for sequestering (the farmers' shares) and the sequestration is only fit for a dictatorial regime."

PCGG Commissioner Raul Daza, peeved by the remark, said "Espina was hasty in making his statement. The fact that Espina is here and speaks and is not put into custody speaks that the government is not dictatorial."

Coconut farmers present rejected the logic. After a farmer's inflammatory speech against the PCGG, Espina said, "This is not the revolution that I fought for."

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PHILIPPINES

LAUREL APPEALS TO MULTILATERAL INSTITUTIONS

HK050232 Manila THE NEWS HERALD in English 4 Jul pp 1, 6

[By Dave M. Gomez]

[Text] Vice President and Foreign Minister Salvado H. Laurel yesterday appealed to multilateral lending institutions to give the Philippines a breather saying "We are not earning enough foreign exchange to service our foreign debt" which stands at a staggering \$26.5 billion.

Laurel asked the World Bank, International Monetary Fund and the Asian Development Bank to be a little more sympathetic in understanding the country's predicament.

"To put it bluntly, we are broke," Laurel said underscoring the country's alarmingly high unemployment, low economic productivity and lack of necessary foreign exchange to meet obligations with creditors.

"But we are not running away from our obligation," Laurel assured. "Give us time to breathe, a chance to put back our house in order, a grace period for us to redeem our national honor," he added.

The vice president spoke yesterday before the general membership meeting of the American Chamber of Commerce and Industry at the Hotel Intercontinental.

In his speech, Laurel exhorted multilateral lending institutions not to look at the Philippines as a mere business proposition, as an impersonal statistical entry in the balance sheet.

"Consider the Philippines today as a vibrant, young, enthusiastic and growing nation irrevocably determined to achieve a place in the sun. A nation capable of regaining its freedom and of placing back destiny in its own hands is surely the best collateral you can ever find," Laurel added.

Addressing Transnational Corporation, Laurel assured them that the era of crony capitalism is over and that the government is slowly dismantling the apparatus of too much state intervention in the economy.

"We are reviving private initiative and weeding out the tentacles of corruption and the mechanisms of inefficiency. Free enterprise will not just be a slogan but a dynamic reality," Laurel said.

Issuing a stern warning to the transnationals which abuse Philippine hospitality and accommodation, Laurel said, "We do not want to be a dumping ground of sub-standard products or of any commodity that is not fit for consumption in the country of origin,"

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PHILIPPINES

COLUMNIST ON 'CULT' OF MARCOS LOYALISTS

HK080733 Manila THE MANILA CHRONICLE in English 5 Jul 86 p 4

["On the Contrary" column by Petronilo Bn. Daroy: "Loyalty Turning Into Cult"]

[Text] The behavior of the loyalists is fast beginning to define a religious cult, complete with the necessary rituals, the absent deity which continues to agitate people at the very moment of remembering him, and the ascendancy to divinity of intermediaries.

Developments in the loyalist camp correspond to these attributes. The Sunday gatherings at Rizal Park is the Sabbath which becomes the occasion for the enactment of rituals. There is the chanting and war dance around the bonfire, in preparation for the street violence that is to follow.

Presiding over the ceremony of course, is the spiritual influence of the Couple in Hawaii who remains invisible.

The recent announcement of Arturo Tolentino about receiving a message from Ferdinand Marcos authorizing him to assume the presidency in the latter's absence, and his obedience to the message, complete the religious pattern. Tolentino sounds as if his obedience is an inescapable response to a call--a destiny he cannot shirk, as burdensome as God's summon to Abraham.

It would be a matter of days before the consistent organizers of the rallies-- Raffy Recto, Oliver Lozano, Rita Gaddi-Baltazar, Alona Alegre, Elizabeth Oropese--would be transformed among the number of high priests/priestesses.

For inevitably, the Marcoses will leave Hawaii. When that happens, they will take on the character of omnipresence and omniscience; President Aquino and her government will pass into symbols of the devil, together with press freedom and journalists. And to give some sacred character to the ritual, the loyalists may later on congregate in some isolated lot associated with the legend of either Marcos or Imelda--the forlorn beach at Olot or at a hillside where Marcos is alleged to have manifested his heroism, the appropriate churches to be built in these places. The V sign meanwhile will be transformed into an amulet.

Given the history of protest and resistance movements in the country, the foregoing scenario is not at all unexpected.



And in a sense, the religion that would emerge would not differ from the way the KBL had been organized and sustained. Marcos' term was rife with rumors about seeresses perpetually being consulted; of anting-anting [amulets] being attached to his body which were responsible for the salvation of the members of his family in certain incidents.

The Marcos administration had, of course, hung on the threads of these myths which his biographers unabashedly wove into his life story. Those meetings and caucuses in Malacanang to which no deviation was allowed, at the risk of life or family disaster--all this had the auspices of a cult.

Having worked the aspect of religiosity into the whole affair of government and the KBL organization, it was no accident, therefore, that, on, his flight from the country the true believers should continue to have faith.

It was illusory for some to have been persuaded that the departure of Marcos would bring back his close associates to sanity. Having lost their reason by supporting a rule of murder and intimidation, it was illogical to expect them to also give up their faith.

At the moment some kind of economic determinism is being used in understanding the phenomenon of the loyalists. It is because the money, people say, still keeps coming.

Soon, contributions will be exacted, initially for the maintenance of the holy family in Hawaii and, as some American crackpots have done, the ordinary followers will respond and allot a part of their hard-earned income for the support.

In the end, the organizers will continue to prosper, the poor will continue to give, sustained in their faith in the infallibility of da great Ilocano, and awaiting his second coming.

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CSO: 4200/1203

PHILIPPINES

MARCOS CLAIMS WELCOME IN THREE AFRICAN COUNTRIES

HK050354 Hong Kong AFP in English 0347 GMT 5 Jul 86

[Text] Manila, 5 July (AFP)--Former Philippine President Ferdinand Marcos said in an interview published here Saturday that Gabon, the Ivory Coast and Ghana may grant him residence.

Mr Marcos, ousted in February by a popular revolt, also said that other countries had requested him to move over from his exile home in Hawaii.

An official of the Gabonese Embassy here immediately denied the deposed leader's statement. The two other African countries cited by Mr Marcos do not have embassies here.

In an interview with NEW DAY, weekly magazine of the leading newspaper BUSINESS DAY, Mr Marcos said the three nations "offered the most generous terms provided that we will help develop them economically."

"It's not true," a Gabonese diplomat who asked not to be named told AGENCE FRANCE-PRESSE when asked if his country made any such offer to the 68-year-old Mr Marcos.

Mr Marcos also said "I have received a number of requests from other countries but all of these depend on arrangements with the American Government and with the Aquino government which has raised objections to my moving out of the United States." He did not identify the countries.

Mr Marcos, who ruled for 20 years, is stuck in Hawaii because the new government of President Corazon Aquino revoked his passport and warned that any Third Country that accepted him would be considered hostile to the Philippines.

His requests for asylum have been rejected by several countries. The Aquino government says he may come home only after the local situation stabilizes.

Mr Marcos is reputed to have amassed billions of dollars, largely stashed abroad, which the new government considers plundered from the Philippines.

Officials here have been seizing his local holdings and employing legal and diplomatic measures to recover his foreign assets.

Earlier press reports said Marcos emissaries had offered large investments to at least one country in exchange for residency but were turned down.

In the NEW DAY interview, Mr Marcos reiterated his stand that Filipinos were "not accepting a revolutionary government."

He said he was "ready to work for my country if they want me to go back and help" but added that he would not return if it would cause a civil war.

Mr Marcos, whose denials of being ill while in power were belied by a mini-hospital found in his palace after he fled. said:

"I jog, I lift weights, I do pushups, and I'd like these people who are talking about my health to try and do the exercises that I perform."

He opposed a fresh trial for the 26 people acquitted of the 1983 murder of Mrs Aquino's husband, Benigno Aquino, and denied that he influenced the trial.

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CSO: 4200/1203

PHILIPPINES

LOYALISTS ACCUSE AQUINO OF 'FEAR' OVER MARCOS' RETURN

HK080825 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 5 Jul 86 p 1, 7

[By Fil Viduya]

[Text] Marcos loyalists said yesterday the Aquino government would not allow former President Marcos to visit his ailing mother for "fear the deposed leader would recover the power they robbed from him."

Batangas provincial fiscal Felizardo Lota branded as flimsy the reasons given by the Aquino people in not allowing Marcos to come home to see Dona Josefa, 93, who is reportedly seriously ill at the Philippine Heart Center.

Lota, who said he has not been reporting to his office since he tendered his resignation which remains not acted upon, said Marcos was sincere in his desire to reconcile with the Aquino government. He said "the former president oftenly [as published] professes his willingness to help fight the insurgents."

Lota said if Marcos would really like to come home, regardless of consequences, he could do it without begging from the new government. "He has the means and facilities to do it," he said.

The loyalists claimed that Aquino and her advisers know too well that they no longer enjoy the same popularity with the Filipino people and the military that they alleged to have had just after the February revolution.

To support their claim, the loyalists cited the scanty attendance of the recent "Reunion of Heros" February revolution and the government-sponsored rally for Independence Day rites at Rizal Park last 12 June.

"As a matter of fact," lawyer Oliver Lozano said, "we have reports that in both occasions, Aquino's men had to resort to hauling paid people from various places in Metro Manila to augment government employees compelled to attend (the Independence Day celebration) 12 June just to create the impression that they still have popular support."

They even went to the extent of requiring each barangay in Metro Manila to send at least 30 representatives, Lozano, spokesman for the Freedom Fighters of the Philippines, said.

Lozano attributed Mrs Aquino's fast sagging popularity to her government's repressive and vindictive policy which he said, alienated not only Marcos supporters, "but even those who had blindly cast their lots with her."

PHILIPPINES

# COLUMNIST CALLS FOR PRESIDENTIAL ELECTIONS

HK081023 Manila THE MANILA EVENING POST in English 5 Jul 86 p 4

["To My Mind" column by Gerry S. Espina: "Legitimizing This Administration"]

[Text] Former Senator Arturo Tolentino is right when he says that Cory Aquino and Doy Laurel should stand for election if a new constitution is approved by the people if they want to continue in office as president and vice-president respectively.

For one thing, there really is up to now a serious doubt as to whether they actually won the last election. Unless the ballot boxes are opened and the votes counted, no one can truly say that she and Laurel won the election. Even the Namfrel [National Citizens Movement for Free Elections] count which showed Aquino and Laurel ahead by about half a million votes cannot be used as valid basis for the count was stopped with still about 30 percent of the actual votes uncounted. If allegations are true that the Namfrel count was manipulated so that the first count consisted of votes from areas known to be Aquino strongholds, the doubt on Aquino having won the election becomes even stronger.

The fact that she sits as president is not because the final vote tally showed her the winner but because Defense Minister Juan Ponce Enrile and then Vice Chief of Staff General Fidel Ramos, "defected" and about a million people went to EDSA [Epifano de los Santos Avenue] not so much to install Aquino as president as to merely prevent a bloody confrontation between the Enrile-Ramos forces and the Ver group in the military. At the moment, Enrile and Ramos had no other choice. In fact, if Enrile and Ramos had not barricaded themselves in Camp Crame and through the media called on the people to go to EDSA to protect them, we doubt if the people, by themselves, would have gathered in such numbers and installed Aquino as president.

The efforts of the Aquino appointed members of the Con-Com [Constitutional Commission] to legitimize the incumbency of Aquino and Laurel by including a provision in the new constitution practically confirming their election will not erase that doubt. The big question mark will remain and consequently become an even greater threat to the stability of the present administration, regardless of the new constitution.

It should, however, be different if Aquino and Laurel stand for another election under the new constitution. If in this election (especially with Marcos out) Aquino wins, then normalcy will no doubt be achieved and political stability assured.

No one then will even question the legitimacy of her presidency.

But will Aquino do this? Perhaps she will. Will those around her especially those who now wield even more power than she allow this? We doubt it.

If we want real normalcy and stability under a new constitution, then we must start with a real clean slate, without any aberration. This can only be achieved if all elective officials provided for in that constitution stand for election during the first election under that new constitution. To exempt Aquino and Laurel from that election especially considering the doubtful nature of their ascendancy to the presidency and vice-presidency respectively, can be the single most destructive factor in our quest for national reconciliation, normalcy and stability.

The recent NPA ambush in Quezon that killed an army major and about a dozen soldiers puts to test the sincerity of the communists to really sit down and negotiate for peace. Or it could be that Defense Minister Juan Ponce Enrile is correct. That there are three communists or NPA factions. It is also possible that the ambush was a dramatic threat to the Aquino government that it really has no choice but to enter into a coalition with the communists. Otherwise, any time or place, they can ambush and kill our soldiers.

In fact, our sources from at least six provinces tell us that already, NPA leaders in the barrios are openly saying that by 1987, or before, they, the communists will be the only ones on top. If this happens, then Marcos was correct. During the campaign, he kept repeating that his number one apprehension of an Aquino in power was the eventual takeover of our country by the communists. Some sectors of our population may have truly believed that under Marcos they were like in a frying pan. The prospect now is that, from the frying pan, we may all soon end up in the fire.

Is the Human Rights Commission of former Senator Diokno only concerned with human rights violations under the Marcos regime? Since the loyalists started their rallies and demonstrations, not a few demonstrators have been either reported missing or killed and yet nothing has been heard from Senator Diokno and his commissioners. We thought all along that human rights violations are violations regardless of who are the violators and the victims.

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PHILIPPINES

PCGG COMMISSIONER DISCUSSES FORMER 'OLIGARCHS'

HK080920 Quezon City ANG PAHAYAGANG MALAYA in English 29 Jun 86 p 3

[By Staff Member Ellen Tordesillas]

[Text] The Presidential Commission on Good Government [PCGG] will not allow itself to be used as a tool for the reinstatement of pre-martial law oligarchs to their former status, PCGG Commissioner Ramon Diaz said Friday.

Speaking at the breakfast meeting of the Manila Jaycees Senate at the Manila Gold Club, Diaz said the PCGG commissioner has been approached by representatives of families who have been deprived of their properties by former president Marcos, his relatives and associates.

The former oligarchs are reportedly reasserting their right to properties which they claim to have been confiscated from them either without or inadequate compensation, Diaz disclosed.

"We do not consider it our job to return to the former oligarchs their properties," Diaz said.

An oligarch is a supporter of a system advocating the rule by few persons.

PCGG sources said some of the families who have approached the PCGG about their properties are the Lopezes, Jacintos, Cojuangcos and Razons.

The late Eugenio Lopez Sr used to own Manila Electric Company ABS-CBN radio-TV network and MANILA CHRONICLE newspaper.

Benjamin "Kokoy" Romualdez, brother of former First Lady Imelda Marcos, took over Meralco and MANILA CHRONICLE.

Another Marcos crony, Roberto Benedicto, took over ABS-CBN.

Fernando Jacinto is reclaiming Iligan Integrated Steel Mills despite documented reports of his own mismanagement and diversion of government loans before government takeover, sources said.

Enrique Razon Sr is reclaiming Metroport Services, which handles Arrastre Services in South Harbor, from Alfredo Romualdez, another brother of Imelda Marcos.

PCGG sources said Jose Cojuangco Jr and Richardo Lopez, President Aquino's brother and brother-in-law respectively, are reportedly reclaiming some of their properties confiscated by the Romualdezes.

Diaz said he is opposed to the return of those properties to their former owners as it would perpetuate the maldistribution of the country's wealth.

"If he (the former oligarch) was able to afford to give them to the government with all the wealth he had, why should we return those to him?" Diaz said.

Diaz proposed the conversion of large tracts of sequestered unused lands into housing areas for homeledd families.

He also suggested the sale of one half of those properties. The income should be used to build tenement houses "so that the poor can be near their places of employment and not live in far out Cavite," Diaz said.

Analyzing the documents and other evidence the PCGG has on Marcos ill-gotten wealth, Diaz said the former chief executive got "tremendous assistance from three groups of people: the clever professionals like lawyers who closed their eyes to the morality of the transaction, the smart businessmen and corrupt public officials.

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PHILIPPINES

PCGG OWNERSHIP, VOTING AUTHORITY INCREASED

HK300418 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 28 Jun 86 pp 1, 6

[By Rodolfo V. Brul]

[Text] President Aquino has granted the Presidential Commission on Good Government [PCGG] blanket authority to exercise ownership rights and voting privileges over sequestered corporate shares, PCGG Commissioner Ramon Diaz said yesterday.

PCGG's newly acquired authority will make "moot and academic" all suits filed by parties affected by sequestration orders, questioning the commission's right to use seized shares in voting its men to board of corporations, Diaz said.

President Aquino shall also designate the board of directors as well as officers, if needed, in the corporations concerned, he added.

The PCGG's blanket authority is contained in an unnumbered memorandum issued 26 June by the president of an annex to the Executive Order Nos 1, 2 and 14, which created the PCGG, and delineated its powers and immunities on the recovery of ill-gotten wealth.

The president's memorandum also empowers the PCGG to:

- Elect its men to the board of directors
- Declare dividends
- Amend the seized firm's articles of incorporation
- Adopt and amend the by-laws
- Sell, lease, exchange, mortgage, pledge or dispose of all or substantially all of the corporate properties
- Incur, create or increase bonded indebtedness
- Increase or decrease the capital stock
- Merge or consolidate the corporation with another or other corporations

--Invest corporate funds in another corporation or business for purposes other than the primary purpose for which it was organized

--Determine the ownership of said shares of stocks pending the outcome of proceedings in resolving the true owners of sequestered shares

The memorandum, however, can be contested in the Supreme Court, Diaz said.

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PHILIPPINES

OPLÉ CONDEMNS COMMISSION'S EXPANDED POWERS

HK010457 Quezon City BUSINESS DAY in English 30 Jun 86 p 24

[Text] President Corazon C. Aquino was urged yesterday to immediately recall a memorandum expanding the power of the Presidential Commission on Good Government (PCGG).

Partido Nacionalista ng Pilipinas Chairman Blas F. Ople said the expansion of PCGG power "will be seen in retrospect as her first serious misstep into a world of great moral ambiguity, the world of economic power by state fiat, which is the beginning of organized greed."

Ople, who leads the political opposition in the Constitutional Commission said "cronyism during the Marcos regime began under less auspicious circumstances."

Ople was reacting to a memorandum issued by Mrs Aquino several days ago. The memo expanded the sequestration power of PCGG to vote shares in sequestered companies pending the determination of their true owners.

Ople said this was designed precisely to seize complete control of the United Coconut Planters Bank [UCPB], and to take over the UCPB in today's stockholders' meeting.

According to Ople, PCGG's expanded power is but a tactical necessity and a grand strategy which vests the voting rights of the sequestered shares in no fewer than 180 companies.

Many of these companies are already in control of the economy with a minimum estimated value P30 billion or more than 5 percent of the gross national product, he added.

Considering the vast array of enterprises already sequestered and those still facing sequestration, PCGG will now emerge as a government superbody presiding over the largest economic empire within the national economy, Ople said.

"PCGG's power constitutes the whole range of ownership and management prerogatives," Ople said, adding that in vesting these prerogatives in PCGG, President Aquino has made the further determination of the ownership nearly academic and superfluous.

The memorandum in effect, has preempted the effective jurisdiction over these cases by PCGG. The Supreme Court, the Sandiganbayan and the Securities and Exchange Commission and other quasi-judicial bodies will find themselves having to stand aside to give way to the force of the Aquino memorandum.

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PHILIPPINES

PAPER EXAMINES NEW POWERS GRANTED TO PCGG

HK010628 Quezon City BUSINESS DAY in English 30 Jun 86 p 12

[By Stella Marie R. Tirol]

[Text] President Aquino has issued a memorandum to the Presidential Commission on Good Government [PCGG] authorizing it to exercise the voting rights of sequestered shareholdings in corporations.

The memorandum boosts the PCGG's clout and effectively renders as moot and academic the string of court cases questioning the commission's authority to vote sequestered shares of stock.

The memorandum clarifies and confirms the extent of powers of the PCGG, which Executive Orders No 1 and No 2 have created and given the task and powers to investigate cases of hidden wealth and to sequester and freeze assets.

Executive Orders No 1 and No 2 to not specify whether the commission has the right to vote sequestered shares.

The memorandum, issued 26 June and signed by President Aquino proclaims the rights of the PCGG to vote on the strength of sequestered shares as pertains to such issues as election of directors, declaration of dividends, amendment of the articles of incorporation, and adoption and amendment of by-laws.

It also authorizes the commission to vote on the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all corporation properties; on incurring, creating or increasing bonded indebtedness; on increasing or decreasing capital stock; on the mergers or consolidation of the corporation with another or other corporations; and on investment of corporate funds in other corporations or businesses or for purposes other than the primary purpose for which the sequestered company was organized.

As suspected ill-gotten wealth of the Marcos regime are in some of the biggest companies, the weight of PCGG-sequestered shares in corporate decisions has become highly significant. The commission's approval on such matters as the composition of boards of directors has been the crucial factor in recent board elections.

In San Miguel Corporation [SMC], the biggest manufacturing conglomerate, the PCGG has sequestered and voted 51 percent of the outstanding shares of stock.

Large blocks of shares, alleged to be beneficially owned by Marcos and his cronies, have also been sequestered in Oriental Petroleum and Minerals Corp, United Coconut Planters Bank [UCPB] and other major corporations.

The PCGG's right to vote these shares is temporary, "pending the outcome of proceedings to determine the ownership of said shares of stock," the president's memorandum says.

It adds that "the president shall designate the persons who shall be voted for to the boards of directors in the corporations concerned, corresponding to the sequestered shares, as well as the officer thereof if needed."

In SMC, Education Minister Lourdes Quisumbing, former member of parliament Homobono Adaza, Information Minister Teodoro Locsin Jr, Government Service Insurance System President Feliciano Belmonte Jr, Philippine Coconut Authority Chairman Oscar Santos, Ramon Garcia of Chemphil, and Eduardo do los Angeles representing the minority stockholders were elected on the strength of the sequestered shares.

Quisumbing has said they were chosen by President Aquino.

In PLDT [Philippine Long Distance Telephone Company], Benjamin Quingona and Mario Locasin were the PCGG nominees who now sit on the board of directors.

In Oriental Petroleum, Jaime Ledesma, Ramon Pedrosa, Amparo Barcelon, Guillermo Pablo Jr, Eduardo Hernandez and Antonio Caguiat were elected on the strength of sequestered shares.

The memorandum comes at a time when the PCGG is facing a string of suits questioning its authority to vote sequestered shares and exercise other rights of ownership.

UCPB has filed a case against SMC and the PCGG, alleging that 33.13 million of the sequestered SMC shares belong to coconut farmers represented by UCPB.

Since the sale of these shares to SMC did not push through, the bank is asking that it exercise the rights of ownership over those shares.

A UCPB lawyer also said that, even if the shares of stocks have been sequestered, this does not mean that the PCGG has acquired rights of ownership since ownership by Marcos or his cronies has yet to be proven.

Some SMC minority stockholders have similarly complained against the company's new board of directors. They claim that the PCGG has not acquired the privileges of owners by mere sequestration and without legal proceedings.

Eduardo Cojuangco Jr, former president of the UCPB, has asked the Securities and Exchange Commission for a restraining order to prevent the PCGG to vote sequestered UCPB shares which he claims are rightfully his. No court or quasi-judicial body is expected to contradict the president's directive.

PHILIPPINES

EMPLOYERS, KBL CONCERNED OVER PCGG POWERS

HK030503 Manila Far East Broadcasting Company in English 2300 GMT 2 Jul 86

[Text] The Employers Confederation of the Philippines yesterday warned that the grant of awesome powers to the government on the disposition of public properties would worsen the country's economic problems. The warning of the confederation was made through its President Franklin de Leon in reaction to the proposal made by the Labor Advisory Consultative Committee to the Constitution Commission.

De Leon said the proposal would dampen public initiative and exacerbate the country's economic trouble.

Meanwhile, the Kilusang Bagong Lipuanan yesterday moved for the immediate dismantling of the Presidential Commission on Good Government [PCGG] before it totally wrecks the national economy and becomes the principal instrument to deliver the people into the waiting arms of the communists.

KBL Central Committee members launched the move following expressions of fear and alarm that the PCGG and its confiscatory powers will plunge the country into worse social economic problems, principally characterized by growing unemployment and poverty. Former Senator Arturo Tolentino, KBL titular head, former Speaker Nicanor Yniguez, acting party president, and Manuel Garcia, KBL secretary general, stressed that the unlimited sequestration, confiscation, seize and hold order powers of the PCGG violate the very Freedom Constitution of the government.

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PHILIPPINES

COLUMNIST QUESTIONS PCGG ACTIONS AGAINST UBPC

HK081033 Manila THE MANILA EVENING POST in English 4 Jul 86 p 4

["Rallying Point" column by Mat Defensor: "No More 'Due Process'"]

[Text] When the government exercised full confiscatory powers in its takeover of the United Coconut Planters Bank [UBPC], fear struck the heart of businessmen who could only watch with awe how the all-encompassing powers of PCGG [Presidential Commission on Good Government] can take over business just like that.

The UCPB board was headed by no less than Defense Minister Juan Ponce Enrile who had publicly opposed the PCGG move against the UCPB. But even the Defense Minister seems helpless with the way events are shaping up.

Sequestration is a new-found power of the government under what appears to be "constitutional democracy." Students of political law have learned that rights to private ownership can only be interfered with by government through taxation, police power, and eminent domain. These government powers are limited by the "due process" clause of the constitution and under certain equitably conditions.

Now, the story is totally different. The right to property can be transgressed and the exercise of ownership can be taken away by the government on the mere suspicion that the property belongs to former President Marcos or his cronies. No evidence is needed. No trial is conducted. The owners on record are not given a chance to present their side.

The PCGG members act as the prosecutor and the judge. They are the conquering hordes who at the slightest whim get themselves elected as board members of corporations and install themselves as managers with all the emoluments and privileges that go with the positions.

One can only ask what the PCGG is doing in the UCPB. The government does not seem to have anything to do with the bank. If they are after the shares of Danding Cojuangco, one must ask where Mr Cojuangco got those shares. We can only presume that those shares were owned by the farmers and acquired by Mr Cojuangco through the coconut levy. If their shares are not owned by Mr Cojuangco, then they are owned by the farmers of vice-versa. Where does the government come in?



But worse, even the shares of the farmers were sequestered, giving the government full control of the bank to the extent of more than 94 percent.

Minister Enrile, in refusing to accept the chairmanship of UCPB, aired his wish to allow PCGG people to determine the ownership of the sequestered shares. Even such a wish is out of the question since the PCGG members themselves do not question the farmers' ownership of those shares. Just the same, those shares were taken over.

The chance of the country's economic recovery depends largely on a wholesome business atmosphere. But the government through the PCGG is not helping any.

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PHILIPPINES

EDITORIAL QUESTIONS UNICAMERAL BODY VOTE

HK081448 Manila THE MANILA EVENING POST in English 7 Jul 86 p 4

[Editorial: "A Unicameral System"]

[Text] The Constitutional Commission's [Con-Com] Legislative Committee, in a vote of 8 to 7, has approved a unicameral body with 250 elected members, the National Assembly. The members will be elected by province for a 4-year term, without limitation on reelection. This system goes hand in hand with the return to a presidential system.

In political science a feature of a republican government is the separation of powers with its concomitant checks and balances. In the past, two legislative bodies checked on the Executive, the Senate and the House of Representatives. The House members represented the provinces while the senators had the entire nation for their constituency. The Senate was also the training ground of future presidents.

With a unicameral body, elected by province at that, there is the danger that members might become parochial in their views and that issues might be considered only from the point of view of the narrow interests of their respective provinces. Executive pressure on a member of the assembly might also be easier to carry out. There will be no guarantee that members will sacrifice their local interests to favor the general will.

Unicameralism, of course, has its own advantages. At least it will be cheaper to maintain. Legislation would be more expeditious. But whether we will also have quality legislation is another matter.

This corner has always stressed that the people need more information about what is going on at the Con Com. They learn merely of the number of votes cast but there is no thorough analysis of issues approved that is offered. What are the advantages and disadvantages of unicameralism as against bicameralism? What is the main rationale?

The people must be told the reasons behind the votes.

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PHILIPPINES

PAPER EXAMINES PUBLIC FORUMS ON CONSTITUTION

HK080433 Manila THE NEWS HERALD in English 7 Jul 86 p 4

[Editorial: "Forums Take Public Pulse on Charter"]

[Text] The public pulse is being taken by the forums on the new constitution which will become the fundamental law of the land and therefore must be expressive of the people's will.

The hearings may not reflect the people's general sentiments on certain proposed provisions in the 1986 charter, as Pampanga Governor Bren Guiao commented after some 3,000 sectoral leaders voted in San Fernando for the abolition of the U.S. bases, but they do provide the framers of the constitution an idea of what the people want their constitution to be.

The members of the Constitutional Commission are men and women chosen for the task of drafting a new charter on the basis of their probity, honesty, intelligence and other qualifications. However, they are individuals with their own ideas of what the 1986 constitution should or should not have and their proposals do not always coincide with the public concern. The forums remind them that their duty is not to draft a charter that reflects their own prejudices and interests but to produce a proposed fundamental law and people will accept as the embodiment of their aspirations, values, rights as well as duties and responsibilities--a truly Philippine Constitution containing little, if any, of the defects of (nothing is perfect after all) but all that was good about the previous charters plus what their framers left out.

The decision, for example, of the Constitutional Commission to adopt as a constitutional provision the presidential system of government came after overwhelming proof it was the majority preference in the public hearings conducted throughout the country.

The public forums on the new constitution answer the criticisms against the Constitutional Commission that its handiwork will not be a people's constitution because the people did not directly choose its members.

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PHILIPPINES

EDITORIAL ON BANNING TORTURE OF REBELS

HK080811 Manila MANILA BULLETIN in English 5 Jul 86 p 4

["Editorial": "Rebellion's Nemesis"]

[Text] The president's prohibition against torture is a tactical move in aid of the government's effort against insurgency. When soldiers torture detainees, they harden the detainees' determination to fight the government another day. And since torture, if practiced often, becomes well known in the locality, it alienates the military from the population. The military becomes an unwelcome presence even as the insurgency gathers roots.

The duration of the uprising may be mainly due to the fact that the government could not make up its mind on a single strategy and on a set of tactics. Or probably it had a strategy and the tactics in mind but just could not implement them right. It is amazing how this could happen to an armed forces which even then had its corps of guerrilla experts.

Mrs Aquino's strength may lie in the fact that she seems to regard insurgency guilelessly.

She sees the need to raise the morale of the soldiers and pledges to be fair to them. She perceives the need to be fair to both the communities and the rebels and warns against torture. She sees the possibility of ending the insurgency and initiates the ceasefire talks.

A president who frees political prisoners when she has hardly armed her seat is not easily vulnerable to the charge of deception.

A leader who approaches the insurgency problem without deception can be the rebellion's nemesis because her efforts are supported by the population.

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CSO: 4200/1203

PHILIPPINES

EDITORIAL ATTACKS NPA 'INTRANSIGENCE'

HK081001 Manila PHILIPPINE DAILY INQUIRER in English 5 Jul 86 p 4

[Editorial: "NPA Intransigence"]

[Text] Communist-led guerrillas struck again Wednesday: This time along the Aurora-Quezon boundary, finishing off seven PC [Philippine Constabulary] troopers, including one officer. The ambush brings to three the total number of attacks launched by NPA units in various parts of the country against government security forces--over the past week alone. There is, on an immediate sense, a pattern in these latest displays of military aggressiveness by the Red underground. Even as its chief negotiators are making the first moves in the much-publicized peace parley with their government counterparts, the CPP [Communist Party of the Philippines] seems to have decided that it must demonstrate to the Aquino administration that it is a force which the government cannot ignore, and to which the government must grant concessions. Or else.... Apparently, the recent ambushes are part of a deliberate plan to give the CPP emissaries the leverage to "negotiate from a position of strength."

But while the cold-blooded waylaying of government soldiers may show that the CPP-LED and trained guerrillas in the New People's Army have gained a certain measure of military expertise, it has not aroused any popular sympathy for the Reds. On the contrary, many ordinary citizens--while cognizant of the communists' contributions to the struggle against the dictatorship--are now beginning to feel that the Reds aren't willing to give those of us who are not Marxists the chance to put our house in order and to work for some semblance of peace. With Marcos now gone, the communists--in the opinion of a growing number of Filipinos, including those who once had some sympathy for them--are determined to make themselves the country's leading problem. They are apparently trying to exacerbate the contradictions between the main factions that compose the government.

By offering the olive branch to president as well as to the liberal and left-leaning members of her government while simultaneously provoking the armed forces and the conservatives with its ongoing tactical offensives, the CPP is blatantly trying to drive a wedge between the military and the civilian leaders of the country. The aim--as far as we can deduce it--is to isolate the AFP [Armed Forces of the Philippines] and the conservatives in the government coalition, and hopefully win over the liberals and so-called progressives in Ms Aquino's Cabinet.

Unfortunately, the Reds have failed to reckon with the fact that the armed forces are not as discredited as the CPP's propagandists have painted them to be. There still is a deep reservoir of gratitude and respect for the AFP and its reformist leadership arising from the revolt that toppled Marcos. Should the communists continue to remain intransigent what is more likely is that it is they who will be isolated by a citizenry grown indignant by the NPA's irrational attacks.

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PHILIPPINES

REPORT VIEWS REBEL RETURNEES IN CAGAYAN DE ORO

HK090307 Manila THE MANILA CHRONICLE in English 8 Jul 86 p 6

[By Malou Mangahas]

[Text] Cagayan de Oro City--Thirteen former rebels took their oath of allegiance to the Republic before President Aquino yesterday.

The 13 had actually surrendered in December 1985 and the ceremony, capping Mrs Aquino's visit here, appears part of a propaganda contest between rebels and soldiers.

Last Sunday, General Fidel V. Ramos and other military officers led newsmen to a common grave where supposed victims of rebel atrocities had been buried. The gravesite, in Opol, Misamis Oriental, is reportedly the fifth found in Mindanao. The military said the killings were the rebels' handiwork.

Rebels have called the surrender of their supposed comrades "publicity gimmicks," local newsmen reported.

Some of the returnees were reportedly military "deep-penetration agents" (DPAS) whose mission had been discovered by rebels, and so the surrenders.

The "returnees" had also been called "zombies" by reporters here.

But no one could ascertain for sure which side is telling the truth, for the military could hardly give on the returnees' identities.

For instance, the number of surrenderees who were to meet with Mrs Aquino could not be confirmed until it was time for their oath taking.

On Sunday, government authorities gave various estimates on the number of returnees--10, said Local Governments Minister Aquilino Pimentel Jr; 20, said Regional Command 10 Chief Colonel Jesus Hermosa; and 37 or 47, said the Information Ministry.

Hermosa told the CHRONICLE that 10 of his 20 returnees had appeared in the military's order-of-battle, and may thus be considered genuine rebels.

He refused to comment on the identities of the other 10, but stressed that it was not true that among the returnees are military agents who had only been "returned to normal duty."

The military deploys DPAS among the rebels, he said, to gather data on their manpower strength, armaments, deployment and military targets.

A number of DPAS had been executed by the rebels in the recent months. Hermosa said he would not call these DPAS "zombies," saying that to the rebels, these agents are considered "traitors to their cause." That cause is, of course, the enemy's cause, he added.

Pimentel said that the surrender had actually been arranged by Misamis Oriental Governor Vicente Emano. One of Emano's qualifications, he said, is a blood-relation in the NPA in the person of Nido Nabong, alleged rebel regional leader.

Habong, according to Pimentel, had assured Emano that the NPA would not stand in the way of its members who want to return to normal life. In Agusan del Sur, Pimentel said he had also received word that 45 Olperirebels would like to surrender.

Still, local officials here reported that for the duration of the President's visit, an "unofficial cease-fire" had been declared by rebels and soldiers.

The rise to power of the Aquino government has eroded much of the popular support for the insurgency, civilian and military officials agreed. Still, in some parts of the region, an uneasy peace holds because of actual cases of civilian tussles with men of arms.

In Taguluan Town, Misamis Oriental, for instance, Pimentel said he has learned that Civilian Home Defense Forces [CHDF] had enforced a food blockade on the residents to flush out support for the NPA. Hermosa said he still has to check on this report.

From Claveria Town, Misamis Oriental, about 100 villagers had fled their homes for the second time to escape from alleged abuses committed by the CHDF. The Claveria folk are now seeking refuge at the provincial capital.

One of the evacuees, a pregnant woman, told the 'CHRONICLE' of how she lost one of her five children to sickness during their second evacuation. On Sunday, the woman marched to the rally for President Aquino, in her hand a banner urging the disbanding of the CHDFS and the Tadtad, a group of religious fanatics notorious for chopping their victims' bodies.

The evacuation of the Claveria talk was dismissed by Hermosa as merely a propaganda ploy of the rebels. Still, Hermosa said he will check on the evacuees' complaints.

The issue of what to do with CHDFS--to disband or to merely reform has locked local officials and military officers in a bind.

Pimentel said he strongly favored the abolition of the CHDF. "The police can take over functions of the CHDF," he said, "especially if police control would be returned to local executives."



Officers-in-charge of provincial and municipal governments urged last month the disbanding of the CHDFS. If this were not possible, they said the militia groups must be reformed.

Hermosa said, however, it was not possible for the CHDF to be disbanded as this would weaken the governments' counter-insurgency drive. In Region 10, Hermosa said about 5,000 militiamen assisted 400 soldiers in his command in fighting the rebels. About 20 companies of policemen also operate in northern Mindanao.

This force contends with what Hermosa reported were a band of 400 NPA regulars, half of whom were armed. However, he said the rebels are being assisted by 10,000 [word indistinct] and move around 50,000 mass supporters in 20 percent of the 2,414 barangays of Region 10.

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## PHILIPPINES

## PC CAPITAL COMMAND OPPOSES POLICE TRANSFER TO MAYORS

HK080921 Quezon City ANG PAHAYAGANG MALAYA in English 27 Jun 86 p 7

[By Staff Member Desiree Carlos]

[Text] Capital Command [CAPCOM] Chief Brigadier General Ramon Montano has warned against turning over control and supervision of local police to local officials or risk chaos.

He issued the warning in a meeting with the officers of the National Police Commission [NAPOLCOM], the Metro Manila Commission and Metro Manila local government heads at the Club Filipino.

Montano said the problem of law and order could not be solved if each area was isolated from the rest of the cities and towns.

"It is impossible to do so. There will be chaos, instead of improving delivery of police services to your own citizens," he said.

Montano cited the case of Quezon City which had to seek assistance from CAPCOM and other police stations in neighboring cities and municipalities for more personnel to control a violent demonstration last Sunday along EDSA [Epifanio de los Santos Avenue] fronting Camp Aguinaldo.

"Full control will mean isolated control by mayors concerned," he said.

NAPOLCOM head Circeiro Campos, on the other hand, asked the local government heads and the CAPCOM to sit together and discuss the implications or "stumbling blocks" of the turnover of police control and supervision to mayors.

Campos, who said the Office of the President has yet to issue guidelines on the transfer, stressed that change would take time.

Campos also noted the financial requirements to maintain a police force.

He noted that the cities and municipalities in the metropolis have been erring in the remittance of their yearly 18 percent contribution to the PC/INP [Philippine Constabulary/Integrated National Police].

The national government has been subsidizing the PC/INP in the amount of P2.009 billion yearly, he said.

PHILIPPINES

CIVIL SERVANTS REPORTEDLY 'RESTLESS' OVER MASS LAYOFF

HK080909 Quezon City ANG PAHAYAGANG MALAYA in English 29 Jun 86 pp 1, 7

[By Correspondent Manny Velasco]

[Text] It has been said that one of the factors that augured well for Corazon Aquino when she was still campaigning against the formidable Marcos machinery was the tremendous amount of goodwill she generated among hundreds of thousands of government employees.

This was best reflected in the unabashed adoration she got from civil servants from the Commission on Elections, and the nearby education ministry in Intramuros when she filed her certificate of candidacy. It seemed then that the charismatic Mrs Aquino had truly won the hearts of most civil servants, despite the well-known fact that Mr Marcos had often relied on them for "hakot" [transporting] purposes during his rallies in Metro Manila.

The wealth of support from government workers continued until the election, when they served as watchers and when they even frustrated electoral fraud attempts or treasury fund misuse in their own offices.

Now, the tide had changed.

Thousands of government employees are growing restless. The specter of losing their jobs in view of the ongoing reorganization is simply horrifying. It haunts them even in their sleep.

Racing against time, they are swiftly organizing their ranks, forming their respective employees' unions or loose alliances to buck the oncoming rush of disaster.

Their apprehension actually started during the last presidential campaign period when then former President Marcos warned them they would lose their jobs if his opponent (Aquino) would win in the election.

Aquino, however, gave her personal assurance that nobody would be removed from public office as long as one has been performing his task well and right.

But succeeding events gave them reason to grow apprehensive once more, as government employees were removed left and right by newly designated officers-in-charge in provincial and municipal offices.

Then came the inevitable. Faced with the lack of funds, the government, aside from purging the ridden bureaucracy, had to mount a massive reorganization to eliminate duplication of tasks in various ministries and government-owned or controlled corporations.

Thus, employees started to organize themselves to petition government against a possible massive layoff.

In a march to Malacanang last 11 June, the Coalition for Unity, Recognition and Advancement of Government Employees (COURAGE) presented to the president the following demands:

1. That their right to security of tenure, due process, termination pay and others be upheld.
2. That a consultative mechanism be formed representing the employees in the restructuring and staffing of government offices and agencies.
3. That their representation in the formulation of the new civil service act be insured.
4. That their right to free and collective bargaining with management be recognized.

Among the members of the coalition are the various employees' associations at the National Housing Authority, Ministry of Human Settlements, National Food Authority [NFA], National Irrigation Administration, Philippine Atomic Energy Commission, Philippine Fisheries Development Authority, and the Philippine Overseas Employment Authority.

The group said reorganization, from the point of view of the new government, is not only understandable but also welcome. They recognize its validity inasmuch as it is an important move to sustain government operation and to start much-needed reforms.

But these, they claimed, can be done without mass layoffs.

"Only the corrupt and looters must go," they demanded.

As for employees working in offices that would inevitably be abolished, the coalition is putting on the government the responsibility of relocating those who would be affected to other appropriate offices and positions. If not, the government should compensate them justly if they are separated, the group demanded.

To minimize retrenchment, the group also urges the president to review the budgets of favored ministries, including that of the national defense, so as to rechannel some of these to "essential and productive services."

Danny Consumido, chairman of the NFA employees guild and one of the moving spirits behind the huge coalition said they are ready to submit to the cleansing process if only to restore and uphold the virtues of professionalism and integrity in the civil service.

An impending reorganization at NFA could affect about 8,000 employees nationwide.

He puts emphasis on the term "civil service," lamenting the fact that it is often confused with the political administration of the government. As a result, the group claimed, politicking and partisanship have become rampant in the service. Civil servants, they said, should only be partisan to the people. Consumido cited as proof that our leaders have not outgrown this tendency to confuse civil service to loyalty to particular administration, the repayment of political debts to supporters and proteges by the grant of positions in government during the previous regime.

Certainly, he repeated, the government needs to be reformed and revamped.

"But our idea of reform and revamp is not the horrible spectre of parading hooded executioners harassing and haunting us even in our sleep," Consumido said.

Neither is it a return to the patronage system of old politics, he added.

An ugly repercussion of this massive layoff in the guise of a purge, he said, is when employees wage a smear campaign against each other in a bid to cling to their present posts.

Another government agency facing a major revamp and possibly even abolition is the Ministry of Human Settlements which employs some 15,000 people nationwide.

Levi Alamis, president of its employees organization, told MALAYA they are asking Mrs Aquino to implement a true reorganization which "will not sacrifice the small employees and workers."

The economic havoc wreaked by the past regime demands urgent courses of action, he admitted.

He fears, however, "certain political forces" are trying to undermine the new dispensation.

Thus, the need for reorganization to improve the efficiency and competence of the new government.

All in all, the government has to act swiftly to defuse a volatile situation. It will not be easy to convince a hungry person, much less a breadwinner, to put national interest ahead of all things.

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PHILIPPINES

MINDANAO BUSINESSMEN SEEK LABOR MINISTER'S OUSTER

HK080813 Manila THE NEW PHILIPPINE DAILY EXPRESS in English 5 July p 2

[By Proculo Maslog]

[Text] Cagayan de Oro--The business sector in Northern Mindanao is seeking the ouster of Labor Minister Augusto Sanchez "for being biased in favor of labor which has resulted in an alarming labor unrest."

The demand for Sanchez' ouster is contained in a position paper to be submitted by the group to President Aquino when she visits here 6 July for consultative meetings with sectoral leaders in the region.

The group said if the present labor unrest is not immediately attended to by the government, the nation's economic recovery effort will be derailed.

"The present labor minister, with his apparent bias for labor, is in no position to help improve the situation," the group said.

"We need a labor minister who can reconcile the interest of both labor and management," the group added.

The group also said the excessive labor laws like the minimum wage and the 13th month pay are compounding the volatile labor situation.

The group charged that many labor unions, especially those which are extremely militant, are being used as fronts by leftist elements out to destabilize the country.

Other proposals contained in the position paper:

--The government should ban from the picket line all non-employees, especially in strikes apparently instigated by subversive elements.

--Abolition of the minimum wage law and /or regionalization of wage structures. This, the group said, will enable business to hire more people.

--Strikes should be banned in extremely vital industries like banks.

--Speedy settlement of strikes through compulsory arbitration.

--Improve tax collection instead of imposing additional taxes.

PHILIPPINES

NATION TO TRY TO MAKE EEC MAIN EXPORT MARKET

HK081009 Manila PHILIPPINE DAILY INQUIRER In English 6 Jul 86 pp 1, 2

[By Rey Arquiza]

[Text] The Philippines will attempt to penetrate the European Economic Community, considered the world's largest trading bloc, as its principal market for exports.

Vice President and Foreign Affairs Minister Salvador Laurel pointed out that there appeared strong interest on the part of the EEC to import raw materials from the Philippines.

He said the atmosphere is ripe to exploit the situation to give life to the long dormant export industry, a factor attributable to the collapse of the economy.

Laurel, who left last night for four European nations in search of economic assistance, was joined by Trade Minister Jose Concepcion.

The EEC, according to Laurel, was deliberately left out as a source of raw materials [as published]. EEC Commissioner Claude Cheysson had told Laurel recently that the previous administration had completely eroded the Philippines image in the family of nations.

Cheysson said the EEC had to turn to other ASEAN member-nations for raw materials to stress its distrust to the leadership of the then President Marcos.

Laurel also said the Federal Republic of Germany has committed to the Philippines to open its doors for Philippine exports.

The EEC will also discuss with Laurel in Brussels the restructuring of Philippine debts.

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PHILIPPINES

TRADE MINISTER CALLS SUGAR 'SUNSET INDUSTRY'

HK080159 Quezon City BUSINESS DAY in English 7 Jul 86 p 11

[Text] Bacolod City--Hopes for an increase in the U.S. sugar quota which have been rekindled by recent reports from Washington were again shattered with the pronouncement here yesterday of Trade and Industry Minister Jose Concepcion Jr that sugar is indeed a "sunset industry."

Concepcion told a gathering of trade and industry groups from both Negros Occidental and Negros del Norte that his talks with U.S. officials from both the Senate and the House of Representatives were not very encouraging regarding the prospect of an increased sugar quota.

"The State Department is against an increase," he told the group of over 200, which included sugar planters and millers, who gathered at the provincial Administration Center here. "Why encourage support for sugar when it is a sunset industry?" he asked.

Concepcion told the assembly bluntly that he believes the question is valid. With regard the agitation of sugar industry delegations in the United States lobbying for such an increase, the trade and industry minister said "what we are looking for is something that is not permanent but only a transition solution for the sugar industry (problem) while it moves into substitute crops."

He also said that only 25.4 percent of the U.S. market for sugar is accounted for by South Africa, Australia, Canada and the Philippines, with the latter getting the biggest share of 13.7 percent.

The present Philippine quota from the U.S. is 203,000 metric tons which the industry hopes to double next year.

Other prospective markets for sugar during the transition period, he said, are Australia and Singapore.

If the U.S. sugar quota for Australia, which comes to 8.3 percent, could be diverted to the Philippines for the next six years, he said, it would be of great advantage to the country. "We are willing to return it after the adjustment period," he said.



He expressed confidence that Negros Occidental Governor Daniel Lacson Jr could play a major role in convincing the Australian Government to agree to this proposal in view of the very cordial visit to this province last week of Foreign Minister Bill Hayden and Ambassador Roy Fernandez.

The Australian Government recently gave to the province P4.5 million through the UNICEF and has pledged continued assistance in the future.

Concepcion also mentioned Singapore as another prospect especially with the recent pledge of assistance made by Prime Minister Lee Kuan Yew.

He said Singapore has indicated its willingness to buy sugar from any country that can compete with its present sources.

"We have a margin of preference because we belong to the ASEAN (Association of Southeast Asian Nations) community," he said.

Concepcion arrived in Bacolod yesterday to preside at the organizational meeting of the People's Economic Council (PEC) in the province. Governors Lacson of Negros Occidental and Jose Puey of Negros del Norte led local officials and representatives of industry, trade and allied sectors from consumers, schools, financing institutions, labor, civic, and religious and professional groups in the meeting.

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PHILIPPINES

## FOREIGN BANKERS WILLING TO OFFER FORFEITING

HK081002 Manila THE MANILA EVENING POST in English 4 July 86 p 7

[By Rene Caparas]

[Text] Leading international bankers based in London are willing to provide Philippine exporters with an attractive medium-term trade financing known as "forfeiting."

Derived from the French "a Forfait," meaning to surrender or relinquish one's rights to something, forfeiting involves the discounting of bank-guaranteed trade bills or promissory notes without recourse to the exporters.

It is an attractive trade credit financing covering repayment periods of 6 months to 7 years.

In exchange for cash payment for the forfeiter, the exporter agrees to surrender claims for payment on goods or services delivered to a buyer.

This type of financing was developed 20 years ago to help finance West German exports to Eastern bloc countries and "has never been done by American Bankers."

Forfeiting is being offered by the Midland Bank Group of International Trade Services (MITS) through its affiliate subsidiary, the Midland Bank Aval Limited (MidAval).

MidAval has been conducting seminars in Metro Manila to acquaint local exporters with forfeiting

MidAval Country-Manager James S. Rogers said "this is the first time forfeiting would be introduced in the Philippines."

Rogers said the MidAval is mostly composed of European bankers. The advantages of forfeiting are:

--Immediate cash liquidity

--Relieves seller/exporter of all obligations without recourse to the exporter

- No foreign exchange and interest rate risk
- Less administrative and collection cost
- Available when other forms of finance are not
- Individual order financed, fast decisions and simple documentation
- All transactions treated confidential and allows buyer lengthy credit

Local exporters, Rogers said, may approach major commercial banks in Metro Manila to enter a forfeiting transaction.

Local exporters, Rogers said, may approach major commercial banks in Metro Manila to enter into a forfeiting transaction.

Local bankers in turn will negotiate with MidAval for processing.

Forfeiting also offers major advantages to buyers or importers over other forms of trade financing.

These are: extended repayment terms, access to major foreign currencies, competitive priced interest rates, security against fluctuations of financing cost through the fixing of interest rate from the beginning of transaction, simple documentation, and speedy approval.

Four types of debt instruments are used in forfeiting:

- Acceptance of bills of exchange by importer/buyer
- Promissory notes
- Bills of exchange drawn under a letter of credit (LC) established by importer's or buyer's bank
- Bills of exchange or promissory notes supported by a separate letter of guarantee.

The "without recourse" clause is not meant to cover deficiencies in the bill itself or misrepresentation on the part of the seller.

It only expresses the agreement of the parties involved that the seller of the bill or note should be free from any of the following liabilities:

Collection of the bills in cases of inability on the part of the acceptor; non-payment on the part of the guarantor; non-payment due to exchange control, political or economic reasons; and cases of force majeure (accident).

The MidAval buys the trade papers from the exporter at a discounted price based on a margin above the prevailing European market rates.

Since the London bankers have access to the European traders, they facilitate transactions to those who do not have the same access.

PHILIPPINES

BANKERS SAYS CURRENT BANK RUNS 'NOT SYSTEMIC'

HK080143 Quezon City NEW DAY in English 7 Jul 86 p 2

[By Noel D. De Luna]

[Text] The bank runs being felt at the moment in varying degrees are not systemic unlike the runs felt in late 1983 and 1984, bankers say.

The only problem, though, is that these runs could become systemic and thus affect other banks. What makes it all worrisome is that concerned parties seem to be unmindful of this unwritten law and the worrying is left mostly to banks affected by a run.

Dominating the scene last week was the giant United Coconut Planters Bank [UCPB] which started off the week with probably "the most exciting stockholders' meeting that will ever come in our country and that I will even attend," described UCPB's ex-chairman, Defense Minister Juan Ponce Enrile.

That was what turned out and the fun during the 4-hour meeting rivalled San Miguel Corp's and PLDT's [Philippine Long Distance Telephone] stockholders' meetings in confusion and emotional intensity, due principally to the entry of the Presidential Commission on Good Government [PCGG].

The PCGG, which took over the bank, was only happier that 4 July was a non-working holiday; otherwise, the run on UCPB could escalate as nervous depositors and irate farmer-stockholders, allied with Ma Clara Lobregat of the Federation of Coconut Planters of the Philippines (Cocofed), get their money out of the bank.

Bankers now say that next week would be critical to UCPB if the run, which reports describe anywhere from light to mild, would wane or escalate. The fact that the PCGG had announced the support of the Central Bank to meet any runs does not help either because such a statement will only come after a bank has suffered a run.

What is more serious for bankers, other than the withdrawals of individual depositors, is the perception from corporate clients of the bank who may see the new management as a weak team.

For instance, UCPB's new president and chief operating officer, Enrique Herbosa, and its new chairman and chief executive officer, Ramon Sy, were "branch bankers" and their colleagues in the banking community feel that they will take more time before they could be honed to operate a universal bank with assets of P13.92 billion.

The prevailing culture among corporate clients is that they identify the stability of a bank by its officer corps. If the perception is changed, then the corporate accounts--and these are the big accounts--also move.

As the financial system remains nervous, bankers feel the PCGG should be a little more careful in making public statements regarding bank sequestrations because it destabilizes confidence in this critical sector.

They point out the quiet sequestration done by the PCGG on Traders Royal Bank, Allied Banking Corp, Security Bank and Trust Co, Republic Planters Bank, and Philippine Bank of Communications.

Allied Bank suffered a light run when the newspapers played the sequestration up. So did Security Bank.

On the other hand, they also said bank officers should also reduce the anxiety by quietly handling the temporary situation.

The case of UCPB, though, is a special case because it involved a political structure nurtured and developed during the Marcos years. Aside from that, the rift between some Aquino Cabinet members and Enrile, who was instrumental in bringing down Marcos through a military revolt, always make good copy whether such a rift is real or imagined.

The 1.5 million coconut farmers, who presumably own the bank, represents a political force that has to be reckoned with. Enrile, a skillful politician, did a masterstroke by dissociating himself with the farmers who feel rightly or wrongly that the government denied them due process of law. The due process being invoked is that they should have been informed by the PCGG that their shares were being sequestered. But common sense tells anybody that if the PCGG sends notices of sequestration to 1.5 million farmers, its budget, placed originally at P50 million, could have been bled dried.

The PCGG, with its awesome powers, could disregard this because the Philippines is now under a revolutionary government. The underlying spirit of the PCGG is one of presumption of guilt until proven otherwise. For how long the commission can continue with this action, nobody is sure.

One thing definite is that for as long as Mrs Aquino remains in power, the PCGG remains as an institution, and despite her pronouncement of privatizing government corporations, it ends up with more corporations faster than what the Marcos government did in its 20 years.

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## PHILIPPINES

## FUNDS SET ASIDE TO STIMULATE DOMESTIC MARKET

HK080413 Quezon City BUSINESS DAY in English 7 Jul 86 p 3

[By Daniel C. Yu]

[Text] The government has set aside some P3 billion from the national budget for stimulating the domestic market through the support of small and medium-scale ventures.

Part of this fund will be channeled to voluntary private organizations, mainly those based in the provinces, as seed capital which they can in turn lend out to entrepreneurs in their respective areas.

Under the short-term recovery program of the government, these voluntary organizations will play an important role in mobilizing capital and labor in the rural areas for production.

Trade and Industry Minister Jose S. Concepcion Jr said over the weekend the government would like to provide funds to voluntary organizations at 3 percent interest. These groups, in turn, will relend the funds at 12 percent interest.

Concepcion said it is important that the true value of the fund be reflected in order to impress upon borrowers that the funding given is not a doleout.

He said the funds will also be used to support programs that would create jobs, one of the principle objectives of the Aquino government's economic recovery plan.

The government has already made clear that, in the absence of private capital to stimulate the market, the government will pump prime the economy through an expansionary economic program. Economic Planning Minister Solita Monsod has previously explained that this will include expenditures of government directed in the rural sector particularly in agriculture and small and medium enterprises.

Some business leaders see government efforts to stimulate the market as being in the right direction, but cautioned against any indiscriminate disbursement of funds without consideration of production output.

In particular, these businessmen have emphasized that pump priming must cover only productive ventures, including such activities as irrigation and construction projects.

They noted that in the last 3 years when the government adopted a more restrictive economic policy, numerous government projects were delayed or shelved due to the lack of capital. These projects can be reviewed, their viability ascertained and those deserving, restarted, giving priority to those that would provide the greatest net impact to the most people, businessmen explained.

Directly pump priming the market is just one step being taken by the government to stimulate economic activity. Another measure is the recently announced plan for a debt-equity swap which is aimed at reducing the country's indebtedness.

Finance Minister Jaime V. Ongpin outlined the government plan, emphasizing that participants in such a swap arrangement could invest in the country in selected preferred areas. Targeted for this program are mainly interested foreign investors who may at the moment be hesitant to enter the Philippine market with fresh capital.

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PHILIPPINES

AGRICULTURAL BANK RECEIVES \$1 MILLION EQUITY INVESTMENT

HK080137 Manila THE MANILA CHRONICLE in English 7 Jul 86 p 9

[Text] The International Finance Corporation (IFC), a subsidiary of the World Bank, has approved a P20 million (about \$1 million) equity investment in the BPI Agricultural Development Bank (BPI Agribank).

The IFC investment in the equity of the BPI Agribank, a subsidiary of the Bank of the Philippine Islands (BPI), sets a precedent in the World Bank's activities in the Philippines.

BPI President Xavier P. Loinaz, said that IFC's investment "is an unmistakable reaffirmation of IFC's confidence in the economic program of the new Aquino administration, particularly in the agricultural sector."

Loinaz explained that IFC's investment forms an integral component of BPI Agribank's capital build-up program from its current level to P100 million by the end of 1986.

Once the capital build-up program is completed, the BPI Agribank will be one of the largest private development banks in the country in terms of capital resources.

With an expanded equity base, Loinaz said, the BPI Agribank shall be in a better position to respond to the government's agricultural development requirements.

He added that BPI will continue to focus its lending assistance to the non-traditional sectors such as aquaculture, crop diversification, livestock, coffee, fruits and spices.

Most of the new loans of the BPI Agribank in 1985, its first year of operations went into aquaculture to upgrade prawn and milkfish ponds in various parts of the country. The BPI Agribank maintains a pool of credit and agricultural specialists who have the appropriate levels of academic training and on-the-job field exposure.

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PHILIPPINES

PNB, DBP PLAN RESTRUCTURING SCHEMES

HK080659 Manila MANILA BULLETIN in English 7 Jul 86 p 17

[Text] The Philippine National Bank [PNB] and the Development Bank of the Philippines [DBP] expect to operate on a leaner size but stronger position once their rehabilitation programs get underway this year.

The crux of their restructuring schemes is the transfer of the whole of their non-performing loan accounts, mostly granted at the behest of the government, to a government agency still to be created that will handle their sale, liquidation of disposition.

Between the two of them, the non-performing accounts that would be taken off their portfolios amounts to more than P100 billion. With the PNB accounting for P50 billion and the DBP about P60 billion based on book value.

The transfer of these non-performing accounts would relieve the two government financial institutions of debt service on their liabilities.

Being government-behest accounts, the debt servicing of the obligations (mostly foreign) would now be borne directly by the national government, relieving the two banks of the chore of looking for funds to carry those accounts, and enabling them to concentrate on their own performing loan accounts, mostly small and medium-scale enterprises as well as agricultural projects.

Without a segregation of the non-performing accounts from their performing accounts, the two banks will require at least P17 billion this year to cover their financing gaps. This means that even with their collections from good accounts, there was no way for them to continue operating viably without government equity support.

Most of the non-performing accounts are social loan programs of the national government handled by the PNB and the DBP as well as big industrial projects whose foreign loans were guaranteed by them at the instance of the national government.

When a number of these big industrial projects got into trouble as a result of the slowdown in the economy in the last 3 years, they were not able to meet the amortization of their principal, and more often even interest, to their foreign creditors forcing the PNB and the DBP to make good on their guarantees to preserve the credit standing of the country.

When conditions in the international loan market were good in the seventies and the early eighties, a big number of projects were put up financed by foreign loans most of which were obtained more on the basis of guarantees extended by either the PNB or the DBP than careful regard of the projects' viability.

Guarantee fees then were a good source of income for the two government financial institutions.

Both the PNB and DBP, prodded by the Central Bank, which is in turn pressured by the International Monetary Fund and the World Bank to set the government financial sector in order, are hopeful they could put their respective restructuring programs underway this month.

Both of them expect to trim down the size of their asset base to about P25 billion, but all of that assets would be good and performing.

That will be a substantial reduction for the PNB whose current asset size is P76 billion. After the transfer of the non-performing accounts, PNB will be a fairly smaller bank with its capability and financial performance expected to be at par with the best performing private bank.

PNB will concentrate on small and medium scale and agricultural projects as well as servicing the commercial banking requirements of government firms, and its traditional clientele.

In the case of the DBP, its size will also be about P25 billion. Its rehabilitation scheme presupposes the retention of its good accounts as government's fresh equity.

Its lending thrusts will be reoriented to countryside development by means of agricultural and small and medium industry credit programs, as against the overwhelming concentration of its loan portfolio in large industrial projects in the past.

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PHILIPPINES

CENTRAL BANK FUNDS CONCENTRATED ON GOVERNMENT

HK080409 Manila MANILA BULLETIN in English 7 Jul 86 p 18

[Text] The government sector continues to get a lion's share of total Central Bank [CB] credits and crowds out the private sector from borrowing from the CB.

Data on the CB credit portfolio for April showed that the public sector continues to be a major borrower from the CB as it availed of 77.4 percent or P74.8 billion of the total P96.6 billion credit portfolio of the CB during the period.

The private sector, on the other hand, managed to get only a 22.6 percent share or P21.8 billion of the total CB credit portfolio for the period.

Public sector borrowings from the CB were in the form of loans under the consolidated foreign borrowing program, budgetary loans to the national governments, and overdraft accommodations to government financial institutions [GFI].

Of the total P74.8 billion CB credits to the public sector as of April, the national government shared 36.4 percent of P35.2 billion or 36.3 percent and other government entities with P4.6 billion or 4.7 percent.

On an annualized basis, CB credits to the public sector increased by 22.2 percent or by P13.6 billion due mainly to provisional advances to the national government, overdraft accommodation to a GFI, loans to the government corporate sector to cover counterpart peso deposits under the \$3 billion trade facility, loans under the consolidated foreign borrowing program and loan accommodations to the Philippine Deposit Insurance Corporation to cover insured deposits of closed banks.

The bulk of private sector borrowings comprised mainly of overdraft credits.

Of the total CB credits as of end-April, the private sector accounted for 22.6 percent or P21.8 billion, a decline of P0.4 billion from the level as of the end of March this year.

The reduction in CB loans extended to private entities was due mainly to repayment of overdraft credit by commercial banks.

The CB report said that the payment of overdraft loans by commercial banks last April was reflective of the improved liquidity position of these commercial banks.

It was also gathered that outstanding loans and advances of the CB as of end-April amounted to P86.6 billion or 87.5 percent of total CB credit portfolio for the month.

The April level of CB's loans and advances was lower by about P1.4 billion from the end-March level of P86 billion.

The reduction in loans and advances of the CB last April was traced largely to repayments of some P945 million of overdraft credits by commercial banks and the national government of its loans under the consolidated foreign borrowing program.

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PHILIPPINES

WORLD BANK TO CANCEL BALANCE OF AGRICULTURE LOAN

HK090035 Quezon City BUSINESS DAY in English 8 Jul 86 p 2

[By Carol E. Espiritu]

[Text] The World Bank intends to cancel the balance of the \$150-million agricultural inputs loan that will remain unused by 31 December.

Government sources said a World Bank representative now in Manila has informed local officials that the bank does not intend to extend the use of the loan beyond 31 December. This means that the government must pay 0.75 percent in commitment charges for the unused portion of the inputs loan.

However, the same sources added that the World Bank would be willing to reimburse importations arriving up to June 1987 or 6 months after the loan's expiry, provided the purchases are made on or before 31 December.

Officials said Finance Minister Jaime Ongpin has already agreed to the revised rules on the use of the World Bank loan last 21 June which allow fertilizer imports worth \$5 million or less per contract to be procured according to commercial practice. This scraps that previous practice prescribing the holding of tenders for bidding by World Bank-approved suppliers.

The new rules were intended to allow the government to either beef up its budgetary funds from fertilizer companies' peso equities or improve the balance of payments (BOP) through direct dollar reimbursements from the World Bank.

Sources however said that to widen the extent of the World Bank reimbursement coverage, the Philippines has requested to make the rules retroactive to May or early June, the time when fertilizer companies were allowed to bid out their own imports.

If approved, this would mean a reimbursement of \$7 million representing contracts on urea made before 21 June, the date of Ongpin's conforme signature.

From 21 June to 31 December however, officials predict a potential reimbursement of \$10 million from fertilizer imports.

The balance of the World Bank loan stands at \$70 million at present.

Although officials said they are optimistic that the loan would be used entirely by yearend, this would depend on the Central Bank's determination of transactions already made by the private sector for non-fertilizer imports. The inputs loan also cover imports of other farm commodities such as machinery, soybeans, breeder stock and feedgrains.

The CB has reported that it has already processed \$50 million worth of documents to qualify for reimbursement between now and 31 December.

An official estimated that the loan balance by 31 December would be between \$20 and \$30 million unless commodities other than fertilizers are substantially documented to qualify for reimbursement.

A \$20-million balance would mean the government has to pay a commitment fee of \$150,000, while a \$30-million balance would mean a commitment fee of \$225,000.

Except for potash of which there are enough stocks to last up to yearend, urea has to be replenished by November, ammonium sulfate (ammosul) by November and 16-20-0 and triple 14 by August.

The private sector was allowed to import ammosul following the halt in the operations of producer Philippine Phosphate Fertilizer Corp (Philphos) when world prices of the fertilizer grade dropped 37 percent to 38 percent this year. In 1985, ammosul cost \$80 to \$90 per bag in the world market against this year's price of \$50 to \$55 a bag.

The revision of the World Bank rules on the loans also committed the Philippine Government to lift the ban on crop importation, in compliance with the terms of the loan calling for the liberalization of the feedgrains trade.

Agriculture and Food Deputy Minister Carlos Dominguez told BUSINESS DAY that up to a maximum of 50 percent tariff may be imposed on corn imports, the ceiling set by the International Monetary Fund (IMF) under its import liberalization package, to discourage imports.

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CSO: 4200/1203

PHILIPPINES

COLUMNIST EXAMINES FOREIGN AID USE

HK090435 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 8 Jul 86 p 4

["Business Front" column by Hector R.R. Villanueva: "The Politics of Foreign Aid"]

[Text] Late in 1985, the Reagan administration demanded that former President Marcos undertake political reforms before remitting the balance of American foreign aid which we call rental for the use of Philippine territory.

In 1986, the same Reagan administration is using the same unremitted balance to demand this time economic reforms from President Aquino.

At first blush, the pre-conditions of the Americans smack of political intervention, big brother attitude and arrogance. To the sentimentalists, this condescending attitude of the United States is beyond comprehension and many will feel outraged at the American lack of trust and confidence in the Filipino.

On second thought, foreign aid, in any form or guise, is more politics than economics.

The more serious, smarter and more discriminating users of foreign aid and loans tend to maximize the benefits more than countries that divert foreign aid towards current expenditures.

Thus, it depends entirely on the Filipinos to identify loans and assistance that dovetail or complement national priorities. We need to reject aid that will perpetuate neo-colonialism and/or make a sucker out of Filipinos.

For instance, we should not expect Japanese assistance for purposes of starting silicon wafer fabrication, robotics and semiconductor research.

By the same token, we should also not expect FEC countries, with a huge surplus of farm products, particularly sugar, to help us directly develop competing agricultural produce.

Neither would the Americans extend assistance for the advancement of soya, corn and wheat technology.

Instead, the Japanese will extend assistance for agricultural extension projects which will not only develop a demand for Japanese agricultural capital goods but also supply farm produce required by the Japanese household, such as prawns, mushrooms, bananas, and tuna.

The Americas will send aid to get rid of their agricultural surpluses and to retain the military bases.

It is incumbent upon us to re-direct foreign aid, under pre-determined policy strategies, towards projects with multiplier potentialities and export possibilities that have been thoroughly researched.

Hence, foreign aid is politics. Economics is what you make out of it.

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PHILIPPINES

CHAMBER OF COMMERCE WANTS IMPORT CONTROLS LIFTED

HK090429 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 8 Jul 86 p 9

[Text] The Philippine Chamber of Commerce and Industry (PCCI) yesterday reiterated its proposal for a gradual lifting of import restraint because of its harmful affects on local industries and employment.

PCCI President Aurelio Periquet Jr aired the chamber's strong opposition to what it called an "almost total and hasty import liberalization" of goods in a letter to NEDA [National Economic and Development Authority] Director-General Mrs Solita Monsod.

The PCCI said several factors justify the gradual lifting of the import controls. These are:

--Low (50 percent capacity utilization of local industries because of the reduced purchasing power of the people.

--Effective rates of interest are more than double than those available to foreign competitors.

--Electricity and other utility costs at least 50 percent higher than those in neighboring countries.

--Comparatively high costs of land and sea freight.

Periquet said many manufacturers have already stopped operations because of the prevailing adverse economic conditions.

The PCCI added that the experience of many countries show that those who opened up their own markets to imported goods at the wrong time have suffered even more. He cited the cases of Chile and more recently India.

Periquet said import liberalization would most likely succeed only when investment is high and the country's economic growth is rapid.

Meanwhile, Periquet yesterday assured Taiwanese businessmen that the Philippine Government was committed to limit intervention in business to the barest minimum and to welcome foreign investments in projects high social and economic values.

Periquet gave the assurance before the joint meeting of the Philippine-Chinese Business Council in Taipei yesterday.

Attending the joint meeting were close to 200 high level businessmen from the Philippines and the Republic of China. The Philippine delegation of 70 businessmen was headed by Periquet while the Chinese delegation was led by Jeffrey L.S. Koo, president, Chinese-Philippine Business Council.

Periquet said cheap and abundant skilled and educated workers are among the advantages to investors in the Philippines.

He said the country expects to excell in the following areas of non-traditional exports: garments, semiconductors, aquamarine products, furniture and other labor-intensive products of agriculture.

Moreover, the inflation rate has fallen to an annualized rate of 2-3 percent, interest rates have fallen, the peso has strengthened vis-a-vis the U.S. dollar, capital flight and currency specualtions has been halted and adequate credit facilities have been made available by banks.

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CSO: 4200/1203

PHILIPPINES

#### EXPERTS TO CONSULT ON BATAAN NUCLEAR PLANT

HK080815 Manila THE MANILA CHRONICLE in English 6 Jul 86 p 3

[Text] Four foreign legal and technical experts will help the Aquino Government study the nature and extent of problems resulting from the decision to scrap the Bataan Nuclear Power Plant.

The experts will be sent here by the United Nations Center on Transnational Corp (UNCTNC), which has been asked by the government to help the Nuclear Plant Study Committee headed by Presidential Spokesman Rene Saguisag.

Saguisag will leave for New York next week to confer with the UNCTNC.

The four experts coming to Manila are:

--Paul Warnke, a Washington lawyer who is a former partner of the prestigious law firm covington and Burling and former chief negotiator of the 1977-78 SALT Agreement. Warnke is now a partner of Clifford and Warnke law firm.

--Roland Brown, British, UNCTNC legal adviser and former chief legal adviser to the technical advisory group of the Commonwealth Secretariat, London. He also served as attorney general of Tanzania and is experienced in negotiations in transnational corporations and developing countries.

--Dr Hans Rudolph Keusen, Swiss, a member of the consulting firm Geotest which specializes in geology, geophysics and geotechnique. Keusen has 17 years' experience in nuclear power plants and investigations for radioactive waste disposal, neo-tectonic and earthquake studies.

--Paul Reithler,

Aside from these experts, the UNCTNC has also consulted Dr Robert Pollard, specialist on standards for nuclear plants, and Dr Maurice Rosen, of the International Atomic Energy Agency, for background data.

Samuel Asante, UNCTNC officer-in-charge, sent word to Saguisag that the agency was also trying to get a Brazilian engineer or nuclear physicist familiar with the Brazilian counterpart of the Bataan Nuclear Power Plant model.

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CSO: 4200/1203

PHILIPPINES

GOVERNMENT TO RUSH COAL-FIRED POWER PLANT CONSTRUCTION

HK080133 Manila THE MANILA CHRONICLE in English 7 Jul 86 p 9

[By staff member Ray Enano]

[Text] The Philippine Government will rush construction of a coal-fired power plant as an alternative to the scrapped nuclear plant in Morong, Bataan, to meet projected power supply deficiencies in the coming years.

Finance Minister Jaime Ongpin said over the weekend that construction of the new plant will start in January next year so that it can be completed by late 1988 or early 1989.

The plant, according to him, could either be in Calaca, Batangas, where the National Power Corp (NPC) currently operates a 300-megawatt coal thermal plant or in Bataan itself where transmission lines erected for the nuclear plant could be utilized.

Ongpin said an alternative plant has to be constructed at an early stage to meet the growing power demand and stave off power supply disruptions.

Along with the construction of a coal-fired plant, the government would have to rehabilitate its power plants and transmission lines, Ongpin said.

Ongpin did not say how much power supply was required to meet electricity growth in the coming years, adding that "it depends on the rate of (economic) recovery." But he said the government would not promote energy-intensive industries.

Funding for the coal-fired plant is likely to be raised from the Asian Development Bank (ADB) or the Overseas Economic Cooperation Fund (OECF) of Japan, the finance minister said. Initial estimates of putting up a coal thermal plant with a capacity of 300 megawatts, roughly half of the 620 megawatt capacity of the nuclear plant, were placed at \$600 million or double the cost of the first coal plant in Calaca, Batangas.

Ongpin said it would be "politically impossible" to operate the nuclear plant now as the Cabinet had already decided to scrap it. He said the plant would be completely scrapped, pointing out that the safety issue was the main reason for the decision not to operate it.

"But if you're totally hardnosed about it and looking at the cost, it makes a lot of sense to operate the plant," he added. Ongpin said that the plant is economically viable since it already represents sunk cost. "You cannot undo it," he said.

A high demand forecast prepared by NPC showed that the power supply-demand situation would be critical by 1989 if no new plants are constructed.

Effective available capacity in the forecast was placed at constant 2,800 megawatts [MW] with demand steadily increasing from 2,358 MW in 1986, then, to 2,452 MW in 1987; 2,599 MW in 1988; and 2,755 MW in 1990. Growth rate in the economy as estimated by the National Economic Development Authority (NEDA) was at 1.5 percent in 1986; 2.5 percent, 1987; 3.5 percent, 1988; 4.0 percent, 1989; and 4.0 percent in 1990.

For the low demand forecast, demand in 1986 was placed at 2,335 MW; 2,382 MW, 1987; 2,477 MW, 1988; 2,601 MW, 1989; and 2,757 MW in 1990. Assumed GNP growths for the period were 1.0 percent, 1986; 2.0 percent, 1987; 4.0 percent, 1988; 5.0 percent, 1989; and 6.0 percent 1990.

Ongpin over the weekend reported:

--Government does not foresee any serious problem that could crop up during the negotiations with a staff mission of International Monetary Fund (IMF), except for the budget deficit level;

--The deficit level is projected at P27 billion by yearend, with the deficit kept below P11 billion as of last week;

--The inflation rate was posted at about 1 percent during the second quarter of the year, due to reductions in gas prices and the good rice harvest.

--Negotiations with the IMF by mid-July will center on the budget deficit, the tax reform package, the restructuring of government financial institutions, trade liberalization, and the reform program for coconut and sugar industries.

--A preliminary study showed that out of the total 250 government corporations, only 70 may be left. The rest will be either sold, merged or abolished.

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CSO: 4200/1203

PHILIPPINES

# SUGAR COUNCIL NOTES INDUSTRY'S PROBLEMS

HK081510 Quezon City BUSINESS DAY in English 8 Jul 86 p 18

[Text] A production quota for sugar crop year 1987-88 will be in place in August under a "new system" that is considered necessary to save the ailing industry, industry sources told BUSINESS DAY.

In its recommendations submitted to President Corazon C. Aquino, the Production Quota Committee of the Sugar Industry Advisory Council--a grouping of individual planters and millers--noted several problems that pointed to the need to set a production quota for the country.

These problems are:

--The industry's production capacity is way above existing foreign and domestic market's demand (production capacity is 2.8 million metric tons, while demand is expected to reach only half of this).

--The price of sugar in the world and domestic markets is low.

--U.S. quota is declining.

--There is not enough cane supplies in some mills districts due to "geographical consideration."

--There is an imbalance of production and consumption due to the seasonal production pattern, so that price fluctuates seasonally.

--There is widespread unstable peace and order conditions in sugar plantations due to the degenerating socio-economic condition of sugar farm workers.

In solving these "problems," the sugar mean said, there is a need to set a production quota to suit local production capacity.

The advantages of having a production quota include providing "a mechanism" that will secure long-term viability of the industry, the committee said.

Another advantage cited is that the quota's existence will stabilize prices.

It will also make financial problems more manageable, giving banks more confidence in financing the industry, the committee said.

And it will hasten and rationalize the produce diversification program by "properly providing planning parameters to the producers."

"In effect, this will help solve the various socio-economic problems besetting the industry," the committee said.

The quota should be set based on four criteria, the committee suggested.

--On a consumption estimate of 1.2 million metric tons for crop year 1986-87 for domestic and U.S. markets and reserve sugar.

--Quota allocation should be based on production crop year 1983-84, 1984-85 and 1985-86.

--Quota should be attached to the land.

--Quota should be reviewed by the Sugar Quota Board.

--Sources said a sugar cane farm's assigned quota starting crop year 1987-88 may still be changed in the two succeeding crop years before its final quota is established.

--They added that the estimated double revision is being adopted because "adjustments" will have to be made after the farm's actual production for the first quota year is considered against its average production for crop year 1983-84, 1984-85, and 1985-86, the basis for the farm's first assigned quota.

--Sources said very likely, many planters will be given a production quota of less than their average actual production for the three crop years. This is so because these planters "pole-vaulted" or had their cane milled in the names of others to avoid paying their loan account with the bank.

The quota may now be their 'penalty' for polevaulting, some industry sources said.

Sugar Regulatory Administration Chairman Arsenio B. Yulo said since the quota will be attached to the land, a landowner who decided to lease out his sugar cane farm will have to make his own arrangements with the leasee on the use of the quota.

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PHILIPPINES

ECONOMIC INDICATOR ON SILVER PRODUCTION

HK090037 Quezon City BUSINESS DAY in English 8 Jul 86 p 2

["Economic Indicator" column: "Silver Production Rises 4.73 Percent"]

[Text] Despite the production declines recorded by the majority of the silver producing members of the Chamber of Mines of the Philippines, the total silver output for the first 3 months of 1986 rose 4.73 percent from the previous year's level, data gathered from the chamber showed.

For the 3-month period, aggregate silver output reached 13,661.590 kilograms, 617.379 kilograms higher than the 13,044.201 kilograms produced in the same period last year.

The increase was largely the result of the 2,291.518 kilograms of silver extracted by Maricalum Mining Corporation, which accounted for 16.77 percent of the total production. The company started commercial operations only last August.

Meanwhile, among the silver producing members, Lepanto Consolidated Mining Company registered the biggest increase in production--a growth of 462.572 kilograms. Lepanto, one of the largest silver producers in the country, extracted a total of 1,587.181 kilograms, 41.13 percent higher than its production of 1,124.609 kilograms last year.

Silver Production January to March 1985 and 1986 (in kilograms)

	<u>1986</u>	<u>1985</u>	<u>Percent change</u>
Benguet Corp (Balatoc/Dizon)	2,862.673	2,850.572	0.42
Maricalum Mining Corp	2,291.518	*	-
Atlas Consolidated Mining & Development Corp (Cebu/Masbate)	2,095.411	3,251.037	(35.55)
Marcopper Mining Corp	1,748.360	1,776.390	( 1.58)
Lepanto Consolidated Mining Co	1,587.181	1,124.609	41.13
Philex Mining Corp	1,390.628	1,431.491	( 2.85)
North Davao Mining Corp (Amacan)	619.208	683.094	( 9.35)
Benguet Exploration, Inc (Thanksgiving/Copper Shield)	501.576	583.463	(14.03)



Surigao Consolidated Mining Co, Inc	382.658	816.637	(53.14)
Apex Mining Co, Inc	116.882	142.585	(18.03)
Itogon-Suyoc Mines, Inc	60.781	46.608	30.41
Manila Ming, Inc	4.704	17.799	(73.57)
Batong Buhay Gold Mines, Inc	*	319.916	-
Total	13,661.580	13,044.201	4.73

\*No production

Source: Chamber of Mines of the Philippines

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PHILIPPINES

BRIEFS

EC'S CLAUDE CHEYSSON VISITS--Manila, 19 June (PNA)--Claude Cheysson, commissioner of the delegation of the Commission of the European Communities (EC) for South-east Asia, is scheduled to visit the Philippines on 25 June. Cheysson, who handles the relations between the EC and the Association of Asian Nations (ASEAN), will also attend the post-ministerial dialogue meeting of the ASEAN in Manila. While here, he will discuss EC assistance to the Philippines with President Aquino and other members of the cabinet. He will cap his 3-day visit here with a speech before the European Chamber of Commerce of the Philippines on 27 June. Cheysson is also expected to meet members of the local and foreign media. [Text] [Manila PNA in English 0150 GMT 19 Jun 86 BK] /12232

ZAMBOANGA ATTACK ON MILITIAMEN--A group of armed men dressed in fatigue uniforms stormed a paramilitary unit detachment in San Miguel Town, killed a village official, fled with the firearms of the militiamen. The PC [Philippine Constabulary] report received in Pagadian City identified the slain barangay captain as Exequiel Otiwa. The assault was made at the detachment of the Civilian Home Defense Force in Barangay Calasig. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 3 Jul 86 HK] /12232

MARCOS WELCOME IN MOROCCO--Vice-President and Foreign Minister Salvado H. Laurel said yesterday that he has received unconfirmed reports that members of the family of deposed President Marcos have been granted asylum in Morocco, a North African Arab country. Laurel said that he has ordered the report confirmed. Laurel said that according to reports from Foreign Ministry agents, one of Marcos' daughters, who was unidentified, moved to Morocco last week and that other members of the family will soon follow. Morocco is ruled by King Hassan, a personal friend of Marcos, and has a tropical climate like the Philippines, Laurel said. "It used to be part of Spain and its culture is partly Spanish. The Marcos family can feel at home in that country like they did in Hawaii because of the climate," he said. Reports from Hawaii said the Marcos family has been increasingly dissatisfied with their asylum in Honolulu because of pressure from anti-Marcos Filipinos and the unsympathetic attitude of U.S. politicians. [Text] [Manila THE NEW PHILIPPINES DAILY EXPRESS in English 4 Jul 86 p 1 HK] /12232

ALLOCATION OF 'FREEDOM PARKS'--Rallyists and demonstrators do not have to secure permits for mass actions provided they are held within designated freedom parks. This was the assurance yesterday of Metro Manila Commission Governor Joey Lina as he instructed the officers-in-charge of the 4 cities and 13 municipalities

to choose at least one freedom park within their jurisdictions for use by activists. Lina issued the order in compliance with Batas Pambansa [BP] 880 also known as the Public Assembly Act of 1985. He said that if local officials would need more areas to accommodate protesters, they may designate other places for the purpose. Lina also gave the mayors the option to assign policemen to watch the demonstrators, provided they are stationed 100 meters away from the groups. BP 880 was drafted by a group of oppositionists and approved in the Batasang Pambansa last 22 October. The law took effect last April but its implementation was delayed because of the recent change in administration. [By Rose Caban] [Text] [Manila THE NEW PHILIPPINES DAILY EXPRESS in English 5 Jul 86 p 2 HK] /12232

CSO; 4200/1203

THAILAND

# PAPERS CRITICIZE GOVERNMENT HANDLING OF PHUKET RIOTS

BK021311 [Editorial Report] Four Thai-language Bangkok dailies--NAEO NA, SIAM RAT, THAI RAT, and MATICHON--on 30 June and 1 July published editorials criticizing the government for its handling of the protests and riots against the tantalum plant project in Phuket Province, especially the transfer of the television channel 9 news division chief and the governor of Phuket in the wake of the riots.

NAEO NA's 900-word page 3 editorial on 30 June entitled "Cover Up the Sky With One's Hand" says the government's popularity has dropped critically following the burning of the tantalum plant and the Phuket Merlin Hotel in Phuket Province and has sunk even lower with the transfer of the channel 9 news division chief for his responsibility for television news reports on the protests.

"If the government thinks that a report of truth is damaging to its image and that the transfer of the television news division chief is a solution, what the government is doing is like trying to conceal the sky with its hand. The decision only reflects how unimaginative the government is," the paper says. In addition to the transfer, the government order also says that from now on television channel 9 newsmen are not allowed to interview private individuals on political issues. They can interview only government officials. "This is ridiculous. It contradicts the national policy on public relations which is aimed at encouraging the government's mass media to broaden its service of giving news and information to the people, especially to promote businesses of the private sector," the paper says, asking whether the government leader, General Prem Tinsulanon, will remain idle on this issue.

SIAM RAT's 600-word page 8 editorial on 30 June entitled "It's Time To Make a Decision" also criticizes the government for the transfer of the television channel 9 news division chief and calls on it to suspend the transfer order. The paper says the removal of the governor of Phuket Province following the tantalum plant riots is justifiable because he was unable to control the riots and prevent the destruction of property. The incident also affected Thailand's image.

The paper then discusses the viability of the tantalum industry in Thailand, saying it is the duty of this caretaker government to come out with a definite policy concerning investment in the tantalum industry. The Thailand Tantalum

Company stated that the project had not been shelved. The company will go on with it, but it will still have to consider where to set up the new plant. "If it decides to allow this kind of investment in the country, the government must guarantee that there will be no more protests. On the other hand, if it decides to scrap the project and not to allow tantalum factories to be set up, the government will have to face the problem of investment by foreign investors who may not want to risk investing in this country anymore," the paper concludes.

THAI RAT's 900-word page 3 editorial on 1 July entitled "Obstacle to Democracy" criticizes the authorities' punishment of the television news division chief for presenting the facts to the people, and recalls that a number of government mass media officials were also sacked following reports on the riots on 6 October 1976. It says such a practice is undemocratic. In a free country, the people are entitled to know what is going on and to express their views about it. "The transfer of the television channel 9 news division chief shows that the executive officials of the Mass Communications Organization of Thailand as well as government officials are still imbued with bureaucratic belief that the government mass media must serve only the government and government agencies. They want to close the eyes and the ears of the people," THAI RAT says.

MATICHON's 900-word page 6 editorial on 1 July entitled "Removal of Sanong Is Not Enough" says that the Interior Ministry's order transferring Phuket Governor Sanong Rotphothong following the riots on 23 June cannot put an end to the problem. In order to be fair to the governor, the ministry must appoint an investigation committee to probe the governor's role in the protests. This will be fair for an official who has performed his duty in service of the country. The swift transfer of the governor must be followed up by investigations and facts instead of leaving him to be one of the scapegoats in the issue.

"What happened in Phuket reflects the weakness and indecisiveness of the government and the government leader. If the government thinks that it can cover up the evil of special interest groups represented by economic and political bigshots by arresting some scapegoats to be sacrificed, then the government is living a most pitiable dream," the paper concludes.

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CSO: 4207/279

THAILAND

SUPREME COMMAND REPORTS ON BORDER SITUATION

BK070818 Bangkok Domestic Service in Thai 1300 GMT 6 Jul 86

[Text] The Supreme Command Information Office has reported on the border situation during the past week. On the border with Cambodia, Vietnamese soldiers and weapons were moved to the border opposite Prachin Buri and Trat provinces. The Vietnamese also planted mines in Cambodia opposite Ban Kruat District, Buriram Province. CGDK forces attacked, harassed, and sabotaged several Vietnamese positions. Fighting in Cambodia near the Thai border resulted in rounds of heavy weapons fallen in Thai territory at Pong Nam Ron District, Chanthaburi Province and Bo Rai District and Muang [central] District of Trat Province.

On the border with Laos, Lao soldiers in Champassak Province crossed into Buntharik District, Ubon Ratchathani. Lao soldiers fired into Chanuman District, Ubon Ratchathani Province on two occasions. Some Lao soldiers also crossed into Phu Rua District, Loei Province to collect information.

On the Burmese border, Burmese soldiers launched a suppression campaign against Karen rebels in an area opposite Thailand's Umphang District, Tak Province, forcing about 600 Karen villagers to flee to Thailand. They have since been pushed back to Burma.

There were three terrorist activities--two clashes with government forces in Pa Lian District, Trang Province, which resulted in two terrorists being killed and five terrorist sleeping quarters and weapons being seized and terrorist shots harassing government officials in Khuan Khanun District, Phatthalung Province. A terrorist surrendered in Surat Thani Province. Many terrorist weapons were seized in Nakhon Ratchasima.

Terrorist bandits clashed with government officials once in Yaha District, Yala Province, resulting in two of them being killed and some weapons being seized. Four terrorist bandits surrendered in Narathiwat.

Malayan Communist terrorist fired shots to harass government officials on three occasions in Betong District, Yala Province. A Malayan Communist terrorist camp was captured. It comprises 32 sleeping quarters, a tunnel, and many articles.

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THAILAND

COLUMNIST ON PREM'S, DEMOCRATS' ELECTION GOALS

BK231039 Bangkok SIAM RAT in Thai 23 Jun 86 p 8

["Half Serious" column by Thahan Kao: "One and Only Spokesman--Trairong"]

[Text] Election candidates and political parties running in the 27 July election are campaigning vigorously--some quietly and some boisterously--but they have the common goal of getting elected to Parliament in the democratic system. However, at the same time caretaker Prime Minister General Prem Tinsulanon is also campaigning for his own popularity among the people by visiting them and inquiring about their health to gain their attention so that he can return as prime minister. His visits to the people in the south generated even more news than the election campaigns of candidates and their parties. He is well received by the southerners, and they want him to return as prime minister. Candidates in southern provinces, particularly Democrat Party candidates, actively promote these visits. Democrat Party Candidate Trairong Suwankhiri, who is running in Songkhla Province, even said in his campaign speech that his party wanted Gen Prem to return as prime minister because of his experience and very good performance as prime minister.

Everyone knows that Trairong is a Democrat Party candidate and spokesman for Gen Prem. In short, he is in Gen Prem's right hip pocket, and it is normal for him to want Gen Prem to return as prime minister. But what is strange is that, while Trairong is a Democrat Party member, he supports neither his party leader, Phichai Rattakun, for prime minister nor other party members who are capable of becoming prime minister, such as deputy party leaders Chuan Likphai and Khunthong Phuphiuduan. If the Democrat Party wants a prime minister who is a former military man, it has Gen Han Linanon, who lately has not been as brave as his name implies as he was previously and thus does not have much support. M.R. Seni Pramot--a party adviser and a 3-time prime minister--is still capable of the prime minister's post despite his age. (Churchill was UK prime minister when he was 84 and performed well.) The Democrat Party overlooks all these people and regards an outsider as a better choice for prime minister. This is tantamount to regarding what is inside the rectum as more worthy than the rectum [hen khi di khwa sai].

There is nothing illegal about Gen Prem campaigning for a return to the prime minister's post while other candidates are campaigning for their seats in Parliament. But I cannot help being surprised about why he is campaigning for

prime minister among the people because they cannot give him the job no matter how much they love and cherish him. They can only dream about him making prime minister. The candidates are the ones who can make him prime minister.

Taking into account political forms, Gen Prem's plan for returning as prime minister probably goes like this: He knows that he has charisma as far as southerners are concerned, and these people are pro-Democrat. Everyone knows that, politically, he favors the Democrat Party. Therefore, his visits to the south enhance his own popularity as a candidate for prime minister as well as the Democrat Party's popularity. If the people in the south vote for Democrat candidates and the Democrat Party gains a majority in Parliament, the party will be obliged to support him as prime minister. This plan is rather clever.

However, if the people really want Gen Prem to return as prime minister they must not vote in such manner that more than 174 Democrat candidates become MP's. I am sorry to say that if more than 174 Democrats succeed, Gen Prem will not be able to return as prime minister but Democrat Party Leader Phichai will be prime minister. I do not know what Gen Prem will be if that happens because he is neither a member of the Democrat Party nor an MP. I say this because the Democrat Party leader has said while campaigning in Bangkok that he will accept the prime minister's post if his party wins more than 174 seats in Parliament, and Democrat members in other regions have agreed with this. Only Democrat candidates in the south, particularly Trairong, seem to be confident that Gen Prem will become prime minister regardless of how many seats the Democrat Party wins.

So, a hitch has arisen in the Democrat Party's election campaign strategy, and no one knows what will result. It appears that Gen Prem's chances of returning as prime minister are not as good as previously thought. Although he has been successful in capturing the hearts of the people, they alone cannot make him prime minister, as I explained earlier. Even though he has the support of the Democrat Party, there is the condition that the party must have less than 174 seats. More than that and Gen Prem will fail to return as prime minister.

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CSO: 4207/279



THAILAND

BRIEFS

DIPLOMATIC RELATIONS WITH MOROCCO--The Foreign Ministry today received cabinet approval for its proposal to expand the area under the responsibility of the Thai Embassy in Madrid to cover Morocco. The Foreign Ministry informed the cabinet that the geographic proximity and good relations between Spain and Morocco will help the Thai Embassy in Madrid function more effectively and conveniently in promoting and defending Thailand's interests in that country. [Excerpt] [Bangkok Domestic Service in Thai 1300 GMT 17 Jun 86 BK]/12766

PADDY PRICE BOOST--Agriculture and Agricultural Cooperatives Minister Narong Wongwan disclosed that Prime Minister General Prem Tinsulanon had expressed his concern over the fall of paddy prices and instructed his ministry to assign the Marketing Organization for Farmers [MOF] to fan out to purchase second crop paddy from farmers. Narong said that the MOF will buy paddy from farmers at prices 10 percent higher than the market prices, for example 2,500 baht per tonnes for 5-percent paddy and less for other lower grades. In fact the MOF has also planned to intervene in the paddy market to trigger rice traders to boost prices for farmers, he said. Narong further explained that the MOF has money enough to buy paddy in 16 provinces, including Suphan Buri where farmers grow the second rice crop this year. [Text] [Bangkok Domestic Service in Thai 0530 GMT 3 Jul 86 BK]/12766

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